Austria Sch 20; Bahrain Din 0.650; Belgium BFr 45; Canada C$1.00; Cyprus C£0.70; Denmark DKr 8.00; Egypt E£1.60; Finland FMk 6.50; France FFr 8.00; Germany DM 2.20; Greece Dr 80; Hong Kong HK$ 12; India Rup 15; Indonesia Rp 2500; Israel IS 3.60; Italy L 1600; Japan Y 550; Jordan Fils 500; Kuwait Fils 600; Lebanon LL 25.00; Luxembourg LFr 45; Malaysia Rm 4.25; Mexico Pes 380; Morocco Dh 6.00; Netherlands Fl 2.75; Norway NKr 7.00; Philippines Pes 20; Portugal Esc 80; S. Arabia Rls 6.00; Singapore S$ 4.10; Spain Pta 125; Sri Lanka Rup 30; Sweden SKr 7.00; Switzerland SFr 2.20; Taiwan NT$65; Tunisia Din 1.375; Turkey L 360; U.A.E. Dh 6.50; U.S.A. $1.00

FINANCIAL TIMES

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Pressure mounts on the Sandinistas, Page 4

World news

Moscow insists on summit condition

Moscow insists on significant arms control progress as an essential condition for agreeing to another Soviet-US summit.

Mr Eduard Shevardnadze, the Soviet Foreign Minister, made this clear at the end of a two-day official visit to Britain which has led to a noticeable thaw in Anglo-Soviet relations.

He carefully avoided committing his government to a date for a summit with the US, although he acknowledged that serious preparations were under way. Page 12

East bloc concession

The Warsaw Pact announced an important concession at the European disarmament talks in Stockholm, agreeing to postpone discussion of air force activities, one of the main stumbling blocks.

'Spy' scientist

East Germany demanded the immediate return of a senior East German scientist it claims was kidnapped by Bonn's intelligence agents. Bonn says he is under investigation for spying.

Refugee dilemma

The tide of political refugees into West Germany has become an explosive political issue in Bonn, putting considerable strain on its relations with East Germany, through which most of them arrive. Page 2

Pakistan praised

President Reagan lavished praise on Pakistan during a welcoming ceremony at the White House for Prime Minister Mohammad Khan Junejo, saying it was "stalwart in its opposition to the Soviet Union's brutal aggression" in Afghanistan. Page 4

Mubarak's tour

President Hosni Mubarak of Egypt began a four-nation European tour in Rome, seeking increased Western economic support for his heavily indebted country. Later, he arrived in Paris.

Warning by Aquino

President Corazon Aquino of the Philippines vowed to punish severely any military attempts to destabilise her five-month-old government and promised to continue her reform programme. Page 3

Haiti death sentence

Haiti's former security police chief under the two Duvalier dictatorships, Luc Desyr, was found guilty in Port-au-Prince of murder and torture and sentenced to death. Page 4

Arms fraud charge

A Washington jury indicted Litton Systems, a major arms contractor, and two former executives of systematically defrauding the US Defence Department of $6.3m. The Justice Department said a $15m penalty had been agreed. Page 4

Spacemen return

Soviet cosmonauts Leonid Kizim and Vladimir Solovyov returned to earth after 125 days in space preparing the Mir orbital station for eventual permanent manning.

Briton accused

Briton John Robinson and South African Kelvin Joubert are being held in Zambia, accused of planning to supply South Africa with classified information about Zambia's crucial copper mining industry.

Miners feared dead

Rescuers held little hope of finding alive 12 coalminers trapped underground at Moura in Queensland because of the presence of carbon monoxide gas.

Business summary

May wins battle for Associated Dry Goods

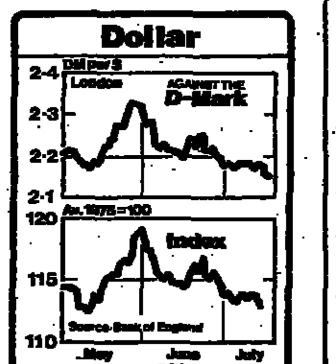
MAY Department Stores, third biggest US department store group, has won its long running battle to take over Associated Dry Goods, with a sweetened offer worth around $2.5bn. Page 13

BANKERS TRUST rounded off the second quarter results season of the big US money centre banks with a 19 per cent increase in net income to $104.2m. Page 13

WALL STREET: At 3pm the Dow Jones industrial average was 3.80 higher at 1,772.50. Page 36

TOKYO: Prices were weaker and the Nikkei average fell 181.90 to 17,700.90, its first fall in four sessions. Page 36

LONDON: Equities lacked inspiration but gilts were boosted. The FT Ordinary share index closed 3.7 higher at 1,306.3. Page 36



DOLLAR fell in London to DM 2.1495 (DM 2.1660); FFr 6.9425 (FFr 6.9925); SFr 1.7420 (SFr 1.7595), and Y158.35 (Y159.45). On Bank of England figures the dollar's index fell to 112.9 from 113.3. Page 29

STERLING gained 1.8 cents in London to close at $1.5135. It also rose to DM 3.2525 (DM 3.2460); FFr 10.5075 (FFr 10.4575); SFr 2.6375 (SFr 2.6300), and Y239.75 (Y238.50). Page 29

GOLD rose $0.50 to $347.25 on the London bullion market. It also rose in Zurich to $347.70 from $346.20. In New York the Comex August settlement was $348.7.

JAPAN said it would not participate in a Gatt investigation panel, proposed by the US, into Japanese import curbs on 12 agricultural products, said to include peanuts, fruit juices and prepared beef products.

WEST GERMANY relaxed telecommunications rules and said it would allow private companies to supply certain equipment such as modems.

BONN Government should speed up plans for a major tax reform, underpinned by cuts in subsidies and tax benefits, if it wants to consolidate its current steady economic upswing, according to an OECD report. Page 2

SCHERING, West German pharmaceutical and chemical company, has sold its US fine chemicals subsidiary Nepera, to the CasChem group in New Jersey for an undisclosed sum. Page 15

APPLE Computer, Silicon Valley personal computer manufacturer, reported sales and profit growth in its third fiscal quarter despite a general softness in the US personal computer market. Page 13

BURROUGHS, US computer company whose recent merger agreement with Sperry will create the second biggest group in the industry after IBM, announced a 41 per cent increase in net income during the second quarter to $70.2m ($1.61 a share) from $54.1m ($1.19 a share) in the same period a year earlier. Page 13

BELGIUM'S biggest and most powerful industrial holding group, Société Générale de Belgique, announced total consolidated profits of BFr 5.33bn ($119m), a 40 per cent increase on the 1984 figure. Page 15

BANQUE INDOSUEZ, internationally-operating French bank, has bought a majority stake in GNP Commodities, a financial trader on the Chicago futures markets. Page 15

Governments plan world crackdown on insider dealing

BY DAVID MARSH IN PARIS AND CLIVE WOLMAN IN LONDON

A SERIES of bilateral agreements aimed at cracking down on international securities fraud, in particular insider dealing, are expected to be signed in mid-September between the UK, the US, Japan, France and possibly other European countries.

Mr John Shad, chairman of the Securities and Exchange Commission (SEC), the US stock markets watchdog, yesterday told a conference in Paris that inter-governmental discussions were approaching a successful conclusion. His remarks were confirmed by officials in Britain's Trade and Industry Department.

The agreements, which the UK Government expects to be followed by a more formal set of treaties, would facilitate the exchange of information between national regulatory bodies about illicit trading in the securities markets of different countries. Among the more controversial issues that have not yet been fully resolved are whether one country would have the right to subpoena witnesses, search premises and seize documents relating to suspected fraudsters in another country.

Britain's most active negotiations, which have involved Mr Michael Howard, the Corporate and Consumer Affairs Minister, have been with the US.

Tension between the two countries over co-operation to combat commercial crime has mounted on several occasions over the past three years. Many of the cases have arisen either from "insider dealing," the use of confidential information about a company to make an illicit stock market profit often using accounts in a foreign country, or attempts by the US Government to enforce its ban on the export of defence-sensitive computer technology to Warsaw Pact countries.

The UK has also been discussing agreements to facilitate co-operation with Japan, France – in the context of discussions about the involvement of London merchant banks in proposed French privatisation issues – and the Netherlands, where telephone share-pushers have caused concern among the authorities.

The Washington-based SEC has led the way in demanding greater international co-operation. After several countries protested against its enforcement activities beyond US borders, it has recently adopted a more diplomatic approach.

Mr Shad, speaking at the annual meeting of the International Association of Securities Commissions (IASCO), indicated that its new approach was now leading to results.

Mr Shad said that the SEC and the US Justice Department increasingly needed international collaboration to follow up investigations on securities infringements committed in the US by foreigners. In the same way, he suggested, foreign countries would need help and information from the US to crack down on possible abuses in their own markets originating from traders in the US.

Accelerating electronic information, trading and settlement links between the world's stock exchanges were leading to a vast increase in cross-border trading, he said.

The number of companies with shares trading actively in more than one country, presently estimated at 473, could grow fivefold by 1990, he said.

Mr Shad called on foreign countries to lift bank secrecy rules and blocking statutes – which protect its citizens from being called as witnesses by the US justice authorities – in cases where the regulations were being used as a cover for securities market crimes.

"Criminals rarely invest in secrecy havens. They merely use them to conceal their illicit transactions," he said.

Securities market regulators point out that international investigations are likely to be

Continued on Page 12

Reform plans will sharpen regulatory teeth, Page 16

BankAmerica tumbles to unexpected $640m loss

BY WILLIAM HALL IN NEW YORK

BANKAMERICA Corporation, the struggling west coast banking giant, yesterday stunned Wall Street by announcing a $640m second quarter loss, the second biggest quarterly loss ever by a US commercial bank.

America's second biggest banking group said that it was increasing its reserves for future loan losses by $600m to a total of $2.2bn, which would result in a net loss per share of $4.25. Before the announcement, the group had been expected to report a profit of around $60m, or 30 cents a share.

The news of the massive loss, which is second only to the $1.2bn quarterly loss announced by Continental Illinois two years ago, shocked many Wall Street bank analysts. After losing over $500m in two of the previous four quarters, the group had earned $63m in the first quarter of 1986 and had been indicating that the worst was over. BankAmerica shares fell by $½ to $14 in heavy trading yesterday morning.

Mr Samuel Armacost, the group's 46-year-old chief executive, said yesterday that the decision to increase loan loss reserves stemmed principally from "the impact of lower oil prices on regional economies, the oversupply of commercial real estate space in most markets and the increasing stresses in the private sector of the world."

"In taking this step, we are very cognisant of the size of this increase," said Mr Armacost, who added that, "the action reflects the unmistakable reality of these conditions and the effects they might have on our portfolio over time."

After the sharp increase in reserves against future losses, to 2.67 per cent of loans outstanding, BankAmerica said that it had the highest loan loss reserve ration of any major US bank and its primary capital ratio of 6.14 per cent was virtually unchanged and within the regulatory guidelines.

Mr Armacost stressed yesterday that the corporation's liquidity and funding capacity remained strong. "We have a newly constituted management team in place and it is addressing the issues before it aggressively," he said, adding that "the decisions taken during the quarter will accelerate our progress along

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Lex, Page 12; results round-up, Page 13

Cocoa agreement reached

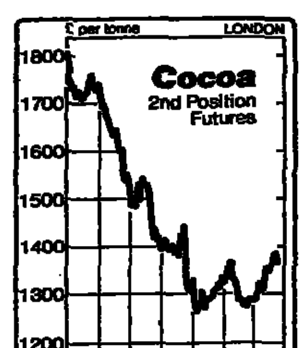
BY WILLIAM DULLFORCE IN GENEVA AND ANDREW GOWERS IN LONDON

COCOA producing and consuming countries reached agreement yesterday in Geneva on the essential elements of a five-year pact to stabilise world cocoa prices.

The achievement of a new International Cocoa Agreement, to replace the current pact when it expires at the end of September, came at the fifth attempt. It followed an intense round of diplomatic activity – particularly between the Ivory Coast, the biggest cocoa producer, and France, its key European ally.

The Ivory Coast refused to join the present agreement, which has been inoperative since 1982, but has accepted the terms of the new one.

The successful outcome contrasts with the collapse of the International Tin Agreement last October and the severe difficulties being encountered in talks on a renewal of the International Natural Rubber Agreement. It will come as a surprise to many in the commodity markets, after the increasingly vocal expression of doubts about the effectiveness of international price-stabilisation agreements.



On the London cocoa futures market, however, prices fell in reaction to yesterday's news, with the September contract closing down £20 ($30) a tonne at £1,364.50. Traders said expectations had been growing over the past few days that agreement would be reached, but some observers had expected the price support level to be fixed slightly higher.

Details of the agreement have still to be worked out. But in essence it aims to keep prices within an agreed range through the operation of a so-called "buffer stock" which will buy and sell cocoa.

Producers and consumers agreed yesterday that the reference price – around which prices are to be stabilised – should be 103 cents per lb. This is a little higher than the level which consumers had wanted to set, but substantially below that called for by the producers. It compares with an International Cocoa Organisation (ICCO) daily indicator price yesterday of 91.75 cents.

The two sides have agreed that prices in the new agreement should be expressed in Special Drawing Rights (SDRs) – the currency basket established by the International Monetary Fund (IMF) – rather than in dollars. This should impart greater stability by dampening out exchange rate fluctuations, and was a key demand of the consuming countries.

Apart from the Ivory Coast, producing members of the new agreement will include Nigeria, Ghana and Brazil.

Commodities, Page 28

Pressure on Reagan as Howe warns of sanctions

By Michael Cassell in London and Reginald Dale in Washington

SIR GEOFFREY HOWE, Britain's Foreign Secretary, yesterday gave an explicit warning that further economic measures against South Africa were likely if his mission to the country ends in failure.

Sir Geoffrey, who leaves today for the US for meetings with Mr George Shultz, the Secretary of State, and Vice President George Bush before going on to South Africa, told the House of Commons that international agreement on a new package of measures would have to be considered unless his talks brought "tangible and substantial progress."

The South African Supreme Court rejected a legal challenge to the state of emergency but said that detainees should have access to lawyers. Page 12. President P. W. Botha, meanwhile, defiantly declared his government's goal of making the country self-sufficient to circumvent any international sanctions. Page 3

Sir Geoffrey's statement represented the firmest indication yet that, despite its reluctance to impose additional measures on South Africa, the British Government could soon be forced to take further action if its latest initiative fails to bring a positive response from Pretoria.

Sir Geoffrey will find the Reagan Administration engaged in a difficult rearguard action against mounting congressional pressure for tough new US sanctions against South Africa.

With sanctions legislation starting its journey through the Republican-led Senate, congressional leaders said that a large majority was now ready to vote for stringent anti-apartheid measures, which the Administration still strongly opposes.

The toughness of the measures, however, is likely to depend on how far the Administration comes up with new ideas on dealing with Pretoria in its current review of US South African policy.

Mr Shultz is expected to present an outline of the review's conclusions at a Senate Foreign Relations Committee next Wednesday. One plan under consideration is the appointment of the first black US Ambassador to Pretoria, with Mr Robert Brown, a North Carolina businessman, the leading candidate.

President Ronald Reagan, while welcoming "constructive ideas" from Congress, has made it plain that he does not want to abandon

Continued on Page 12

Paris warned on foreign share stakes

BY DAVID HOUSEGO IN PARIS

THE EUROPEAN Commission has informally warned the French Government that key articles in its privatisation proposals limiting share ownership by foreigners run counter to EEC law.

Britain's Lord Cockfield, commissioner for the internal market, made Brussels' view clear to the French on the basis of the draft privatisation decree submitted by the Paris government last week. The Commission was concerned in particular that the 15 per cent ceiling on foreign ownership in newly privatised groups would violate EEC legislation by discriminating between the French and other EEC citizens.

A French Government spokesman admitted yesterday "that these are things to discuss," but he argued that the exceptional size of the French privatisation programme meant that it could not be treated on the same basis as the daily movements of capital within the EEC which are governed by the Treaty of Rome.

The fresh complication for the government's privatisation programme surfaced yesterday as Mr Jacques Chirac, the Prime Minister, confirmed that he would transform the privatisation decree into a law that will be put before the National Assembly this month.

At the weekly Cabinet meeting presided over by President François Mitterrand, Mr Chirac took issue with the President's decision to refuse to sign the privatisation decree on the grounds that it provided inadequate safeguards against preventing the nationalised sector from slipping into foreign hands. The government spokesman said that at moments an atmosphere of "heavy silence" reigned over the meeting.

Officials close to President Mitterrand claimed yesterday that the possibility that the privatisation decree could be declared illegal by the EEC Commission was one of the reasons why he had refused to sign it. They said that this objection added to his belief that the decree left French nationalised groups too vulnerable to acquisition moves by foreigners – including companies within the Community.

In a television broadcast last night, Mr Chirac accused the President of defying the will of a majority of Frenchmen as expressed through the March 16 election results. But he said that his government would not take the responsibility of provoking a political crisis – thus attempting to minimise the conflict for the time being.

Continued on Page 12

Reluctant partners fall out, Page 2

Fears of intervention cushion dollar's fall

BY GEORGE GRAHAM IN LONDON AND CARLA RAPOPORT IN TOKYO

FEARS of central bank intervention helped to prop the dollar up yesterday but could not prevent the US currency from falling to a record low against the yen.

Amid predictions from US economists that it could fall as low as Y150 and DM 2.00, the dollar slid in Tokyo before steadying somewhat in European trading. It closed in London at Y158.35, a drop of over Y1, and fell 1.65 pfennig to DM 2.1495, its lowest closing price against the D-Mark for five years.

Mr Satoshi Sumita, governor of the Bank of Japan, said that he did not expect the yen to continue climbing against the dollar, but he said the Bank had "no intention" of lowering its official discount rate for the fourth time this year. Currency traders said the Bank bought around $100m yesterday to ease the dollar's fall.

With mounting anxiety in West Germany that the current level of exchange rates could hurt German exporters, as it has Japanese, traders watched nervously for signs that the Bundesbank might join the Bank of Japan in supporting the dollar through intervention.

Renewed evidence of weakness in the US economy from statistics on second-quarter gross national product, due to be published next week, could send the dollar lower, dealers said.

Relieved of the limelight by the dollar's weakness, sterling gained ground again yesterday. It closed in London at $1.5135, a gain of 1.8 cents, and rose by 1¼ pfennig to DM 3.2525 against the West Germany currency, which has strengthened recently against its partners in the exchange rate mechanism of the European Monetary System.

Consumers miss out on windfall, Page 12; money markets, Page 29

CONTENTS

Bonn urged by OECD to speed tax reform plans

BY RUPERT CORNWELL IN BONN

WEST GERMANY'S ruling centre-right coalition should speed up its plans for a major tax reform, underpinned by cuts in subsidies and tax benefits, if it wishes to create the framework for a long-term continuation of the country's current steady economic upswing.

This emphasis on improving supply side incentives for growth is the key message from the Paris-based Organisation for Economic Co-operation and Development (OECD) in its latest — and not unreservedly admiring—annual report on the eminently successful West German economy.

Although the organisation points out that external events, most notably the recent collapse in world oil prices, have given the Government a big helping hand, Bonn is praised for its general handling of the economy since Chancellor Helmut Kohl and his Christian Democrat Party took power in October 1982. The OECD reckons that total domestic demand this year and next (of more than 4 per cent in each case), have probably restrained the OECD secretariat from adding its voice to the volley of foreign demands, above all from the US for Bonn to take further direct measures—either by cutting interest rates or boosting public expenditure—to stimulate the economy.

Instead, the report confines itself to stressing the "imperative" need for vigorous action "to improve growth conditions" in the years ahead. It singles out subsidies, tax cuts and increased deregulation of financial markets and protected sectors like transport and telecommunications as priority targets.

The OECD notes that the Government's "privatisation" programme has so far proceeded "very slowly," although its remarks went to press before Mr Gerhard Stoltenberg announced at the end of June that Bonn plans to raise up to DM 4.5bn by selling off shares

MAIN OECD FORECASTS
(in % at constant 1980 prices)

	1985	1986	1987
Private consumption	1.7	4.4	3.9
Government consumption	2.1	2.7	2.7
Fixed investment:—			
construction (total)	—6.2	0.3	2.9
machinery, equipment	9.3	10.1	10.9
Final domestic demand	1.3	4.3	4.3
Foreign balance:—			
exports	7.2	2.7	2.1
imports	4.7	5.4	6.0
GNP	2.4	3.4	3.1
GNP deflator	2.1	2.3	0.9
Private consumption deflator	2.0	0.0	0.2
Current balance ($bn)	13.1	28.6	21.6
Unemployment	8.3	7.9	7.3

despite a weak first quarter, growth might reach 3.5 per cent in 1986 and exceed 3 per cent next year, while inflation could well stay close to zero until the end of 1987.

Its growth expectations for this year contrast with those of several of West Germany's independent economic institutes which have scaled down their forecasts to 2.5-3 per cent.

For the first time in several years moreover, the report's authors hold out the genuine hope of a fall, however limited, in unemployment as private consumption and accelerating industrial investment take over from exports as the principal driving force behind the economy.

While the country's huge current account surplus is forecast to contract in 1987 to some $21.6bn from a record $28.6bn this year, the total of jobless in relation to the total registered labour force might fall to an average 7.3 per cent next year, compared to an expected 7.9 per cent in 1986 and 8.3 per cent in 1985. This is notwithstanding a steady increase in the overall number of those seeking work.

These likely trends, and powerful forecast increases in in the car company Volkswagen and the energy conglomerate VEBA.

On subsidies, it concedes that West Germany indulges in them probably less than other major industrial nations. But it says it is "particularly regrettable" that so little progress has been achieved in reducing subsidies, which have if anything tended to increase since 1983.

The story is similar on the tax front. According to the report, the current two-stage package of tax cuts, totalling DM 20bn between 1986 and 1988, will do no more than compensate for higher fiscal drag since 1981. A comprehensive tax reform, worth up to DM 40bn has, it observes with disappointment, been put off until after the forthcoming general election in January 1987.

While the overall burden of taxation has remained little changed through the centre-right's term of office, the report says, the Government has not sufficiently concentrated its outlays on capital, as opposed to current, expenditure. The structure of public spending, it comments dryly, "does not appear to be fully consistent with the aim of the Government to improve supply conditions."

Poland prepares to free some political prisoners

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND'S PARLIAMENT is due to pass an amnesty law today establishing the framework under which the country's 300 or so political prisoners as well as minor criminal offenders could be freed.

How many political prisoners will be freed is still a matter for conjecture as officials have admitted that the amnesty will not be "automatic but will contain special procedures for freeing detainees."

This suggests that prisoners will have to give promises of good conduct which will be difficult to elicit in the case of Solidarity leaders such as Mr Zbigniew Bujak, who was arrested at the end of May after four and a half years leading the underground.

A total amnesty, however, is crucial to the success of plans by General Wojciech Jaruzelski, the Polish leader to persuade prominent independent Roman Catholics to join a new official advisory council which he wants to set up in order to broaden the basis of his support. Cardinal Jozef Glemp, the Polish Catholic leader, has expressed interest in the idea but both he and the individuals concerned are aware that participation will be difficult as long as the problem of political detainees persists.

Speaking here at the weekend, Mr Jozef Czyrek, a Communist party secretary, said that the law would "not be a classic amnesty but in practice it could make possible the freeing of all prisoners."

Detainees like Mr Wladyslaw Frasyniuk, a courageous and resourceful Solidarity leader from Wroclaw, also pose a stumbling block, having accumulated several political sentences thus making them recidivists.

"It is our intention to resolve the problem fully but this depends on the goodwill of all concerned," Mr Czyrek has said. The detainees must recognise, however, that the amnesty "is an act of goodwill aimed at surmounting the divisions in society and not an encouragement to engage in further opposition activities."

David Housego describes how Mitterrand is resisting Chirac's frequent resort to decree law

Reluctant marriage partners fall out

THE FRENCH constitutional expert, Mr Maurice Duverger, had the foresight some while ago to see that "cohabitation" between a Socialist President and a right-wing Government would turn his countrymen into students of the constitution. On March 17—the day after Mr Jacques Chirac's right-wing alliance won a majority in the parliamentary election — he published a layman's guide to the constitutional issues raised by the poll result which rapidly climbed high in the list of best-selling books.

It has been to Mr Duverger that the French have been turning in recent days as the conflict over the Government's privatisation programme has again brought to the fore the issue of the balance of power between President and Prime Minister under the institutions of the Fifth Republic.

President Francois Mitterrand asserted on Monday what he judged to be his constitutional right in refusing to sign a decree on privatisation because it offered inadequate safeguards against the nation's wealth slipping into foreign hands.

Yesterday, Mr Chirac took issue in declaring that only the cabinet had the authority to decide whether a decree "expressly provided for in enabling legislation" was "opportune and well founded."

So far, however, two lessons have emerged from the affair. The first is that Mr Chirac seems to have made a tactical error in trying to short-cut Parliament by putting through many of his economic measures by decree. One of the first laws to have been promulgated since the Government came to power was the abolition this month of the requirement on companies to obtain administrative approval before declaring redundancies—a measure that was approved through normal parliamentary procedures.

The second lesson is that Mr Mitterrand, in the open conflict now surfacing with Mr Chirac, is presenting himself as the defender of Parliament's rights against a government which has tried to steamroller legislation through it. "It is up to Parliament to decide," said Mr Mitterrand on Monday.

On taking power in March, Mr Chirac envisaged carrying out key parts of his government's economic programme by decree because he has a majority of only three in the National Assembly and he feared that his administration's image would be damaged by long, acrimonious debates.

The advantage of decrees is that they enable legislation to be adopted without debate in Parliament. The drawback is that because they short-cut Parliament, the President can refuse to sign them. In the case of legislation that has been fully approved by the Parliament he can only withhold his signature for 15 days.

The Socialists used the decree procedure seven times after coming to power in 1981 to hasten through such measures as reducing the working week to 39 hours and introducing a fifth week's paid holiday.

But to rule by decree requires enabling legislation setting out the scope of the measures to be implemented by decree. Mr Chirac thus presented Parliament in the spring with an omnibus economic enabling bill. This covered the privatisation programme; the lifting of price controls and the framing of a competition law; and the reduction in employees' social security contributions to help stimulate youth employment.

At that stage Mr Mitterrand indicated that he would not approve a decree easing redundancy procedures—which was thus incorporated into normal legislation. He also said that he would not sign decrees denationalising industries taken over by the state before 1981—and which include the three main insurance companies and the three largest banks.

Mr Chirac got round this difficulty by including the full list of the 65 companies to be privatised in the enabling legislation—which Mr Mitterrand could only delay by 15 days at the most.

In practice, the enabling legislation took much longer to get through the National Assembly than the Government had intended because of the large number of amendments put down by the Socialists. Mr Chirac curtailed debate on the bill in mid-May by transforming it into an issue of confidence in the National Assembly. Since then, he has used the same procedural technique to hasten other legislation—hence Mr Mitterrand's charge that he is abusing Parliament.

The Government's main fear was that the measure would fall foul of the Constitutional Council—the supreme judicial organisation. But the Council approved the bill on June 26 with only two main provisos—the the evaluation of the worth of a nationalised group be carried out by an independent commission and that privatisation "preserve national independence."

With this obstacle passed, ministers breathed a sigh of relief and notwithstanding the rumblings from the Elysee believed that Mr Mitterrand would sign the decree. This was being prepared in the meantime, setting out the details of how privatisation was to be carried through.

The decree sets out the mechanism on key issues such as how the groups' worth will be assessed, the membership of the commission, the rules governing the purchase of shares by foreigners, methods of payment and share participation by employees.

It is this decree that is now to be incorporated into fresh legislation which will be put to the cabinet next week and then presented to the National Assembly before the end of the month. There is little doubt that Mr Chirac will transform it into a vote of confidence—thus guillotining debate in the Assembly—but it will still have to pass again before the Constitutional Council and the Senate. Mr Chirac's hope is thus to get it out of the way before Parliament breaks up in mid-August but at the cost of shelving other legislation.

The government believes that Mr Mitterrand's tactics have been "obstructionist." Mr Mitterrand says he is defending the national interest. In the end it will be the voters who will arbitrate in the conflict through elections next year or in 1988.

French Industry Minister Alain Madelin (left), Economy Minister Edouard Balladur (centre) and Prime Minister Jacques Chirac leave the Elysee after yesterday's weekly cabinet meeting.

Early vote looms in Italy

By Alan Friedman in Milan

MR GIULIO ANDREOTTI, the veteran Christian Democrat who was asked last week to try to form an Italian Government, reports within the next 24 hours to President Francesco Cossiga amid rising speculation about the possibility of an interim government to pave the way for an early general election.

This could come possibly as early as the autumn or next spring.

Mr Andreotti has been faced with the refusal by the Socialist party of caretaker Prime Minister Bettino Craxi to support his efforts. The latter resigned three weeks ago following a parliamentary defeat, after leading Italy's longest lasting government since the war.

The Christian Democrat leader, Mr Ciriaco de Mita, said yesterday the only way to resolve the impasse would be "by seeking a different solution."

In what was seen as a fresh sign of flexibility Mr de Mita spoke of the need to agree jointly with the Socialists on "a programme and a candidate (for Prime Minister)."

At today's meeting with President Cossiga, Mr Andreotti could ask for more time. An official of the Christian Democrat party in Rome warned, however, that "while Mr Andreotti has the full support of his party, Mr De Mita has indicated that the views of other parties must also be taken into consideration."

The other parties of the coalition which lasted for nearly three years, have all indicated that they will only support a renewed five-party alliance.

The Social Democrats and Liberals have allied themselves closely with the Socialists, who are demanding that Mr Craxi be given a chance to form a new government.

Mr Giovanni Spadolini, leader of the Republican party, had said he is "confident" a solution to the crisis will be found without recourse to an early election. When asked whether he himself might head a new government as a compromise candidate, Mr Spadolini replied that "nothing is impossible."

Mr Craxi and Mr Andreotti were brought together yesterday for their first face-to-face talks during a state luncheon for President Hosni Mubarak of Egypt who spent several years in Rome yesterday

EEC short of cash to help steel regions

BY PAUL CHEESERIGHT IN BRUSSELS

DEMAND FOR loans in regions seeking new industry in the wake of the downturn in steel is outstripping available European Community funds, made available to help national schemes.

The European Commission yesterday made clear that it would be looking to the hard-pressed Regional Fund for more cash to bolster the finance being provided from the European Coal and Steel Community.

At the same time, responding to the lower level of interest rates on the financial markets, it reduced the level of interest rate rebates it is offering on Coal and Steel Community loans which are made at close to commercial rates.

European Community foreign ministers are expected to send a strong warning to Tokyo over trade tensions next week in an unusual move to influence the formation of a new Japanese government, diplomats told Reuter in Brussels yesterday.

Record trade imbalances in Japan's favour since the start of the year have fuelled EEC worries about the lack of progress in Tokyo's efforts to liberalise its economy in line with its major industrialised partners, they said.

Community states were therefore hoping to influence the formation of a new government as leaders of its dominant Liberal Democratic Party jostle for power following the July 7 general election.

These moves are the first the Commission has made to help restructuring in regions hurt by the sharp reduction of employment in steel since, in July 1985, it made what it called a political commitment to the industrial reconversion of the steel-making areas.

When it made that commitment it estimated the demand for Coal and Steel Community loans at Ecus 200m (£131m) a year topped up by a further Ecus 50m from a special fund to help small business. In fact, demand this year is expected to be around Ecus 900m putting budgetary strain on the Coal and Steel Community.

For this year there is Ecus 65m available for interest rebate financing—which would cover "lending" of about Ecus 400m. Any demand for loans above that total figure would have to come, the Commission thinks, from the Regional Fund.

The interest rebate is being reduced to 3 per cent from 5 per cent for loans to official organisations, like development authorities, and to 2 per cent from 3 per cent for direct loans to companies.

This sort of financing, the Commission said, will be confined to the areas most seriously damaged by steel industry job losses. Over the last decade these have climbed to more than 400,000 in the Community.

The areas covered in the UK are the Strathclyde region, the Northeast, Yorkshire and Humberside and North and South Wales. West German areas involved are the Ruhr, the Saarlands, Braunschweig and Salzgitter. There are also two areas in France, Belgium, Italy and Spain, and one in Portugal, where the loan provisions will operate.

Commission proposals on branch accounts

BY OUR BRUSSELS STAFF

THE EUROPEAN Commission moved yesterday to make it easier for companies to become established throughout the EEC by proposing measures to simplify the publication of accounts by branch companies.

It proposed in effect that the publication of separate accounts by a branch company should not be demanded by the authorities of the country where that branch has been established. Instead, the accounts of the parent establishing the branch would be registered.

The measure is being advanced as a necessary deregulation with the aim of making it simpler for companies to set up susbidiaries or branches in another country. As such, it is part of the programme to develop an internal market without barriers in the Community by 1992.

The Commission proposal was planned as one of a series to co-ordinate company law. When the Commission last year published its White Paper on the internal market it noted that companies did not enjoy the same right as people when it came to moving from one state to another.

While they could set up a branch company on a non-discriminatory basis, the legal demands on accounting and disclosure have differed from country to country. Thus the Commission, in its new proposal, has sought to prevent, the authorities of a country where a branch is established from demanding more information than the parent itself is bound to provide in another country.

But while this and other preceding measures are seen in Brussels as helping the free flow of commerce throughout the Community, the glaring omission in the law from the Commission's point of view is a European company statute.

Paris sees fall in spending

By Our Paris Correspondent

THE FRENCH Government is projecting a decline in public spending in real terms next year under preliminary budget proposals drafted by the Ministry of Finance.

Mr Alain Juppe, the Minister for the Budget, disclosed yesterday that the Government expected a public expenditure outlay of FFr 1,060bn (£96.3bn), a decrease on this year's total.

Mr Juppe said he was planning tax cuts of nearly FFr 25bn and a reduction of FFr 15bn in the budget deficit.

The only major spending department, without an expenditure ceiling was defence.

Mr Juppe anticipated that armed forces spending would decline in real terms—reflecting in part lower energy costs—but that equipment expenditure would rise, producing a 5 per cent increase in volume terms.

The expenditure side of the budget should be finalised before the end of the month. The budget, which is due to be put to the Cabinet in September, will be the main item on the Parliament's autumn agenda.

● An investment scheme to give French companies access to cheap credit looks likely to be scrapped as part of the right-wing Government's efforts to put industrial policy on a new footing.

The Industrial Modernisation Fund (FIM), set up by the Socialist Government in 1983, distributed about FFr 18bn of subsidised credit in its first two years of operation.

The scheme has already attracted criticism from the EEC Commission. It says big companies like the Renault and Peugeot car concerns, have been given an unfair advantage over competitors in the Community because of the cash they have received.

Although no formal decision has yet been announced, Mr Alain Madelin, the Industry Minister, appears to have decided to disband the FIM in a bid to gear government industrial aid mainly to small and medium sized companies.

Mr Madelin also plans to encourage Anvar, the government body promoting technological innovation, which distributes cash under the FIM scheme, to reorientate its policies towards helping small businesses.

The FIM, which is funded through tax free savings deposits collected in the banking system, was set up by Mr Laurent Fabius, the former Prime Minister, when he was Industry Minister three years ago.

Its creation was criticised at the time by the Finance Ministry, which saw the fund as escaping the centralised control which the French Treasury normally exercises over the financing of industry.

Capital leaves Netherlands at high rate

By Laura Raun in Amsterdam

CAPITAL FLOWING out of the Netherlands jumped to an unusually high Fl 5.3bn (£1.47bn) in the first quarter of this year, mostly due to securities transactions, the central bank said yesterday. The figure for the whole of last year was Fl 10.1bn.

During the first quarter, Dutch interest rates offered a smaller premium than usual over West German ones and the Amsterdam stock exchange performed poorly.

A continuation of the drain this year could hurt the country's balance of payments, which generally shows a health surplus.

The central bank also warned that money creation (bank lending which exceeds borrowing) is still running far above acceptable levels: 15 per cent in the first three months

Fall in Swiss wholesale prices largest for years

BY WILLIAM DULLFORCE IN GENEVA

SWISS WHOLESALE prices have registered their biggest annual fall in eight years. A decline of 0.4 per cent in the index last month gives a 4.2 per cent decrease over the 12 months to the end of June.

The Federal Office for Industry, Crafts and Labour reported at the same time a further decrease in the already low number of people without jobs, to 23,305 at the end of June. This gives a Swiss unemployment rate of 0.8 per cent.

A 16.6 per cent decline in prices for energy products is the main factor in the 12-month fall in wholesale prices. In June alone energy prices dropped by 4.5 per cent, abetted by the Swiss Parliament's refusal to ratify the increase in fuel taxes levied by the government.

The prices of primary materials and semi-manufactures decreased by 3.3 per cent during the 12 months while the index for consumer goods rose by 0.4 per cent. Imported goods fell by 11.1 per cent in price compared with a decrease of only 1.3 per cent in the prices of goods produced domestically.

An industrial census taken by the Federal Office last September shows a decline of 55 in the number of Swiss enterprises over the preceding 12 months but an increase of 1.8 per cent or 11,969 in the number of people employed in industry.

The alrgest increase in number, 6,850, was recorded in the machine engineering industry while watchmaking registered the biggest percentual increase of 4.7 per cent.

Concession by East bloc at security talks

By John Burton in Stockholm

THE WARSAW PACT yesterday made what Western diplomats termed an important concession when it dropped its demand that military activity in the air should be covered in the negotiations at the European Security Conference in Stockholm.

The announcement by the chief Polish delegate, Mr Wlodzimierz Konarski, injected fresh hope that some sort of agreement might be reached before the conference ends on September 19. There has been growing pessimism that with a stalemate in negotiations the conference could fail.

The conference, which includes the US and Canada and all the European countries except Albania, is negotiating a series of confidence — and-security—building measures to reduce the risk of war

The Soviet demand that military activity in the air should be included in the measures has been one of the most difficult questions. It proposed that all "independent" military flight activity above a set limit should be subject to the notification process.

Nato has opposed the proposal, explaining it is nearly impossible to verify.

Tide of refugees threatens to swamp West Germany's hospitality

BY RUPERT CORNWELL

THE APPARENTLY uncheckable tide of political refugees into West Germany has become an explosive political issue here, putting immense strain not only on the ability of West Germany to cope with them, but also on Bonn's relations with East Germany, through which most of the would-be asylum seekers transit.

In the first six months of this year, no less than 42,269 people arrived in West Germany, mainly from Asia, Africa and the Middle East, seeking asylum under the country's liberal refugee laws. Last weekend alone, 600 came across Berlin into the Western Sector, and the Government fears that the total for 1986 might reach an unprecedented—and unmanageable—100,000.

Handling the refugees already costs Bonn at least DM 1bn (£300m) a year. The makeshift camps which receive them are busting at the seams, and not only in Berlin, where the local city authorities have demanded emergency measures from Bonn to staunch the flood. Elsewhere in West Germany, serious incidents have erupted between different ethnic groups crammed into the camps.

A 28-year-old Ghanaian died earlier this week of injuries received in fighting between groups of Ghanaians and Pakistanis at a refugee centre in Deggensdorf in Bavaria. At another centre, close to Mainz in the Rhineland Palatinate, three people were seriously injured early yesterday after violent clashes between Ghanaians and Lebanese.

Even more serious, however, are the possible diplomatic repercussions of the crisis, both for Bonn's longstanding efforts to improve the links between the two German states and for the status of Berlin.

The fact that the flood has been mainly, and seemingly deliberately, channelled through the divided city by the East Germans has raised the strong suspicion that East Berlin has encouraged the affair in another bid to force de facto changes in the status of the "frontier" running through it.

At this point Bonn, the prisoner of the generous asylum provisions of the modern West German "basic law" or constitution, becomes virtually powerless. Any stricter controls at crossing points along the Berlin Wall and into West Berlin would have to be applied by the three allied occupying powers of Britain, France and the US.

Were they to do so, East Germany would be able to claim a small victory in its campaign to elevate the partition of Berlin into a fullscale international frontier. Only five weeks ago, an attempted step in this direction was foiled, when East Berlin, after an outcry in the west, was forced to withdraw requirements that diplomats based there showed their passports at the frontier when crossing to West Berlin.

What has especially engraged Bonn are advertisements placed by Interflug, the East German airline, in countries like Ghana, offering flights to Berlin with the guarantee of passage thereafter to the west. But all efforts to seek a negotiated solution have foundered on East Berlin's insistence that the matter is not for it, but for the three western powers who govern West Berlin, to settle.

The options open to the West German Government are not appetising. To provoke a showdown with East Germany could endanger carefully nurtured efforts to improve ties, while to do nothing might increase tensions in the reception centres and elsewhere

Conservative politicians here are pressing for an amendment to the constitution, whose Article 16 now states broadly that "those persecuted politically enjoy the right of asylum." But liberals and left-wingers resist this.

In fact, many of the refugees are less "political" than "economic," seeking only a better life in the West, and relatively few are finally granted asylum. But the bureaucracy of processing them, and the subsequent right of appeal, means that the sifting can be lengthy and expensive.

Greek Cypriots seek Soviet and EEC help

GREEK CYPRIOT officials said in Athens yesterday that, following the deadlock in US-backed United Nations peace efforts for Cyprus, they are pinning their hopes for a settlement to reunite the divided island on help from the Soviet Union, the European Community and the non-aligned countries, writes Andriana Ierodiaconou in Athens.

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Botha challenges sanctions with jet fighter

BY BERNARD SIMON IN JOHANNESBURG

SOUTH AFRICAN President P. W. Botha used the unveiling of a partly South African-designed fighter aircraft yesterday to deliver one of the Pretoria Government's most forceful statements on its determination to resist international sanctions.

Launching a reconstructed version of the French-built Mirage III jet which has been flown by the South African Air Force for the past 24 years, Mr Botha said that "we will not allow ourselves to be humiliated and undermined in order to escape sanctions. We are not a nation of jellyfish."

He bluntly affirmed Pretoria's goal of increasing local self-sufficiency and making use of every possible avenue to circumvent any sanctions that may be imposed. "*If it is expected of us to forgo essential manufactured products, let us manufacture them ourselves,*" Mr Botha said.

"If it is expected of us to forgo essential agricultural products, let us ourselves cultivate enough so that we can also export. *If it is expected of us* to forgo other essential goods which we cannot manufacture or build, let us obtain them by exploiting the self-interest of others."

The intense international debate on sanctions against South Africa will reach a climax in the next few weeks with the mission by Sir Geoffrey Howe, Britain's *Foreign* Secretary, to South Africa on behalf of the European Community and the forthcoming meeting in London of seven Commonwealth heads of state to discuss the imposition of sanctions against Pretoria.

Mr Botha cited the reconstructed *Mirage, to be known* as the Cheetah, as an example of South Africa's ability to withstand sanctions. The Cheetah is the latest in a series of military products developed by the state-owned weapons procurement and manufacturing agency Armscor to overcome the mandatory arms boycott imposed by the United Nations *against South Africa in* 1977.

In the past two years, Armscor has also launched a new combat helicopter, an unmanned reconnaissance drone and a gas turbine engine with military applications. The Cheetah is a product of Atlas Aircraft, an Armscor subsidiary *based at Kempton Park*, east of Johannesburg.

It has been known for some time that the air force was anxious to find a replacement for the ageing Mirages, which were bought before France joined the arms embargo. Gen Denis Earp, the chief of the air force, said yesterday that the Cheetah is "in many aspects comparable to the best in the world," and matches the Soviet MiG 23 fighter which is deployed in Angola.

Armscor declined to give details of modifications made to the Mirage, beyond saying that half the aircraft has been reconstructed and that it has been fitted with all-South African weapons systems.

According to the London-based International Institute for Strategic Studies, the South African air force has 98 Mirage aircraft of various models.

Emigration at record level

By Our Johannesburg Correspondent

EMIGRATION from South Africa has reached record levels, heightening concern at the escalating drain of skilled mapower from the country.

According to the Government's Central Statistical Services, the number of emigrants soared to 4,760 in the first four months of this year from 2,948 in January-April 1985. Immigrant numbers fell from 7,959 to 2,603. The net loss of 2,157 is more than double the previous record set in 1978 when unrest in black townships and a depressed economy prompted many whites to leave.

About one-sixth of emigrants in the first four months of this year were profesisonal and technical workers, including substantial numbers of engineers and accountants. One local accountancy firm estimates that about 1,000 chartered accountants have left the country in the past few years.

Were it not for a weak rand and exchange controls the outflow of emigrants would almost certainly have been considerably greater. Emigration is a constant topic of conversation among middle and upper-income English-speaking whites.

Australia appears to be the most popular *destination*, thanks to its relatively liberal immigration laws and a similar climate and lifestyle to those enjoyed in South Africa.

Other leading emigrant destinations are Britain, Canada and the US.

Bernard Simon looks at key weapons of the Bureau of Information

Academics 'prove' emergency works

AS South Africa's state of emergency enters its second month, two bearded Afrikaner academics have emerged as key weapons in the Government's efforts to show the world that its tough tactics are paying dividends.

Dr Kobus Neethling and Mr David Venter, both researchers at the Government's Bureau of Information in Pretoria, are employed to give the state of emergency a scientific interpretation.

With backgrounds in child psychology and education (Dr Neethling has a doctorate in children's literature), they appear regularly at the bureau's press briefings and on local television armed with an array *of statistics*, charts and tables which are meant to prove that the emergency is achieving its aims.

Dr Neethling and Mr Venter had soothing news for white South Africans when they were gently interviewed on Government-controlled television at prime time on Sunday evening. They assured viewers that their figures show that "unrest-related incidents" last week were 23 per cent lower than in the previous week and 77 per cent down on the first seven days of the state of emergency.

Listeners have few ways of verifying that conclusion. One leading South African newspaper *points out in a page one* box each day: "This issue has in effect been censored. All unrest information involving the security forces in any way has been sifted and provided by the Government's Bureau for Information."

The bureau is the sole source of publishable material on unrest and other aspects of the emergency, and its officials prefer not to dwell on less pleasant aspects of these unsettled times.

At least 160 people have been killed since June 13, when the emergency was declared. Another 3,500 people are reported to be in jail without access to lawyers. Four journalists and two missionaries have been deported. Fourteen bombs have exploded, killing three people and injuring more than 100.

Labour unrest has continued, partly in protest against the arrest of trade union organisers. Many employers complain that the detentions have exacerbated shop-floor tensions and complicated labour negotiations.

According to lawyers and township residents, the crackdown does appear to have led for the time being to a lower level of violence in most urban areas.

On the other hand, there is evidence of mounting tensions in some rural parts of the country. The police shot dead 10 suspected African National Congress insurgents in two separate incidents in the Eastern Cape and Northwest Transvaal last week. Many of the incidents reported by the bureau have taken place in the impoverished KwaNdebele homeland outside Pretoria, where tempers have been roused by Government plans to give "independence" to the postage-stamp territory later this year.

Dr Neethling asserts that "terrorist-related incidents" need to be seen in their "proper perspective." He and Mr Venter break their statistics down into geographical areas and types of incidents.

Among the half-dozen charts which accompanied a bureau press release last week was one dividing "*incidents*" into eight categories, ranging from murder and arson to intimidation, illegal gatherings and "other." The method used to count acts of intimidation is unclear.

Mr Venter told his television audience that it is "very interesting" that 7.9 per cent of incidents in the past month were robberies. "It's very difficult to distinguish unrest incidents from common crime," he argued.

The fact that 46.8 per cent of incidents took place in three areas (the East Rand, the Eastern Cape and KwaNdebele) shows that "the greatest part of the country is in relative calm," Mr Venter said.

According to the two researchers, a higher number of deaths among security forces should not necessarily be interpreted as a sign of greater success for the Government's opponents. Rather, it reflects the tough job the police have in separating black combatants "who are very aggressive towards each other."

Dr Neethling, who said in an interview that he and Mr Venter come from "the creativity school (of behavioural psychology)," concedes that measuring a state of emergency is not an exact science. "You can't measure any situation like this only by means of concrete data," he says. "There are also people's emotions and aspirations."

The two men are thus trying to improve their techniques with the aim, according to Dr Neethling, of analysing data "pertaining to the psychological climate." They have commissioned universities and research groups to conduct surveys on such topics as South Africans' "perception of leadership" and their sense of safety.

No one should be surprised if these surveys reinforce the rosy findings of the past few weeks. Dr Neethling says that "if you extrapolate (the recent) trend into the future, I believe one can look forward to a climate in which meaningful reform can proceed."

VIOLENCE LEAVES 12 DEAD

Twelve blacks were killed in political violence in South Africa yesterday, one of the worst casualty tolls since the country's state of emergency was declared last month, the government Bureau for Information told Reuter. Nine of the dead were found by police in a partially burnt house in KwaNdebele homeland north of Pretoria. "It is believed that the men were shot with an AK-47 rifle and then set alight together with the house," the bureau said.

Aquino says she will press on with reform

By Chris Sherwell in Manila

PRESIDENT Corazon Aquino of the Philippines yesterday vowed to punish severely any military attempts to destabilise her five-month-old government and promised to continue her reform programme.

She was speaking on television ten days after Mr Arturo Tolentino, a political ally of the ousted President Ferdinand Marcos, proclaimed himself acting president with the support of armed military units and thousands of Marcos loyalists.

The coup attempt collapsed within 36 hours when the rebels accepted a government ultimatum and left the Manila Hotel, which they had taken over. But no one has since been punished, and the affair led to a big row at a Cabinet meeting last week.

Mrs Aquino yesterday again dismissed the incident, saying it had shown that the loyalist cause had no significant following and had vindicated her policy of a non-violent response to political challenges.

But she also repeated last week's tough warning that she would permit no repetition of such an affair. "Demonstrations designed to aid the rebel cause will no longer be tolerated" she declared. The loyalists had betrayed their true aims: "They are intent on overthrowing the duly constituted government."

She went on: "Any further military involvement in actions intended to destabilise the Government will be punished with all the severity in the military code."

Answering questions, Mrs Aquino acknowledged that there appeared to have been a lapse of intelligence *over* the involvement of military units in the abortive coup attempt. At the same time her executive secretary confirmed that differences in policy had emerged at a "volatile" Cabinet meeting after the Manila Hotel affair.

These focus, he said, on the question of whether *intelligence* information had been withheld from Mrs Aquino, on the degree of loyalty within the armed forces, and on the apparent pardon given to those who took over the hotel.

Company in China allowed to declare itself bankrupt

A FACTORY in China has announced it is bankrupt, the first since the Communists took power in 1949, in what diplomats said was a victory for reformists over hardliners, Reuter writes from Peking.

The official newspaper Workers Daily said yesterday an instruments factory in the northeastern city of Shenyang, warned last August to put its house in order, had gone broke because of bad management, heavy losses and debts it could not repay.

"The factory was given a '*yellow warning card*' last year, but it ended up with the 'red card' of bankruptcy," the paper said, referring to the cards shown to misbehaving soccer players by referees to indicate warning and then dismissal.

A Western diplomat said the news was a very significant step in China's economic reforms, indicating that a national bankruptcy law would be passed despite opposition from hard-line Communist Party members who regard bankruptcy as inhumane and capitalist.

Shenyang is the first city in China to pass bankruptcy regulations and the results are being closely watched nationwide.

The regulations are in line with economic reforms introduced by Deng Xiaoping, the Chinese leader, since 1979 aimed at making companies responsible for their own profit and loss.

According to the official press, a parliamentary committee last month considered the first national bankruptcy law, aimed at dealing with a number of state companies that had been losing money for several years.

The Workers Daily said the Shenyang factory had sent an emergency notice to its creditors on Saturday, telling them to register their claims before July 30.

The paper said the notice was issued to protect the interests of the creditors and make a proper job of clearing up all debts.

It did not say what would happen to the factory's workers. The official press quoted the vice-president of Shenyang's Trade Union Council as saying last month that workers from bankrupt companies would be guaranteed jobs elsewhere.

China yesterday strongly rejected charges that its troops had intruded into India last month and said that Indian troops regularly made incursions into China, Reuter reports from Peking. Indian *officials on Tuesday* had charged that Chinese soldiers had set up camp last month in the Sumdorong Chu valley region to the east of the Himalayas.

Palestinian students stage protest against Hussein

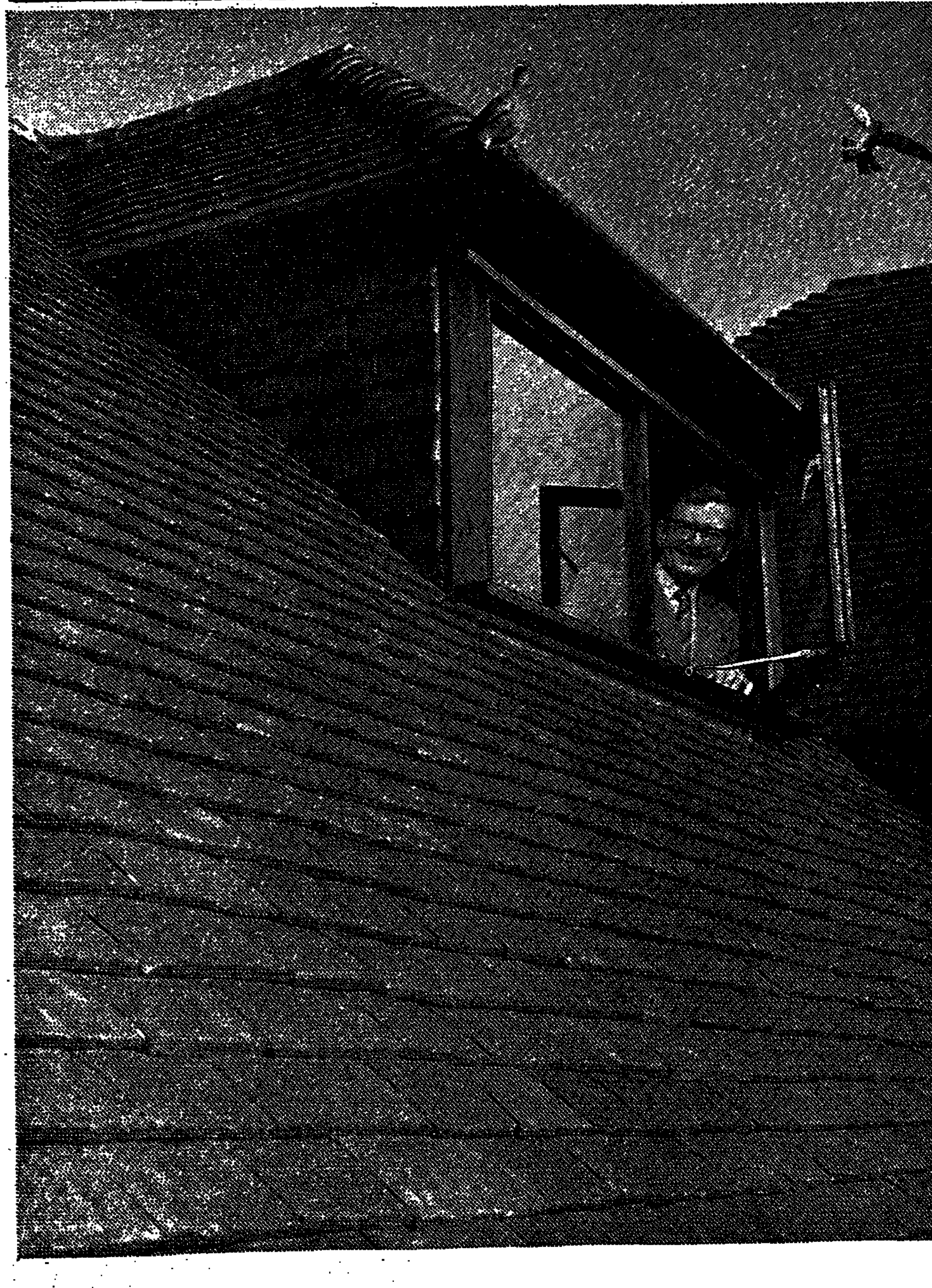
HUNDREDS of Palestinian students staged a demonstration yesterday, burning King Hussein's photographs and criticising the US for Jordan's crackdown on the Palestine Liberation Organisation, AP reports from Bir Zeit on the West Bank.

Israeli troops manning roadblocks barred non-students from reaching the hilltop campus of Bir Zeit, 30 kilometers (20 miles) north of Jerusalem, where 300 students protested against Hussein's closure of 25 PLO offices in Amman last week.

The demonstrators, who packed the campus auditorium, also scoffed at King Hussein's remarks to reporters on Tuesday that he had "silent majority" support among 1.4m Palestinians in the West Bank and the occupied Gaza Strip.

"He will not *stop* our commitment to the PLO. The PLO is our sole legitimate representative . . . We will struggle until victory," said Mr Jamal Dris, student council president.

The crowd responded with chants of "We will overthrow the king." One student waved a hug green, black, red and white PLO flag which three others burned black-and-white photographs of Hussein. ...



Bankers criticise Venezuelan debt plan

By Joe Mann in Caracas and Peter Montagnon in London

A NEW Venezuelan Government plan to refinance some $7bn in private sector foreign debt has provoked sharp criticism from international banks and stiffened their resistance to requests by the Lusinchi administration for easier repayment terms on public sector debt in the wake of the plunging oil price.

The scheme calls on private sector companies to repay their foreign obligations in local currency to a new Exchange Compensation Fund (Fococam) which would then issue fixed-rate, government-guaranteed bonds to international creditors.

However, it has aroused a storm of protest from creditors, who complain that the conditions on the bonds, which include a long maturity of 15 years and a legal maximum coupon of 5 per cent, mean that they would immediately trade at a steep discount.

Also, existing rescheduling agreements, for example with the large Electricidad de Caracas utility which recently signed a $650m refinancing arrangement, would have to be scrapped.

As a result Mr Jorge Marcano, Venezuela's chief debt negotiator, has received a hostile reception from leading creditors in two days of talks this week in New York on his country's request to adjust its $21.2bn public sector debt rescheduling agreement to give a less onerous repayment schedule.

One problem is that legislation covering the plan has already been enacted by the Venezuelan congress, even before the banks were consulted on their reactions. If it is implemented, bankers say they will be requiring compensation from Venezuelan private sector companies which could jeopardise their viability.

Mr Manuel Azpurua, Venezuela's Finance Minister, has meanwhile failed to provide the banks with clarification on a number of key technical points, one of which is the exchange rate at which the private sector debt would be repaid in Bolivares and then refinanced in dollars.

Peter Ford on Managua's reaction to Congress approval of $100m in aid to the Contras

Nicaragua battens down the military hatches

NICARAGUA'S Sandinista Government is celebrating its seventh anniversary this Saturday under fiercer pressure than it has faced at any time since the July, 1979, revolution.

Abroad, Mr Ronald Reagan, the US president has finally forged a Congressional alliance that has approved a $100m (£66m) aid package to Nicaraguan rebel Contra guerrillas and thus prolonged an increasingly vicious war.

At home, skyrocketing inflation, estimated conservatively at 200 per cent a year, combined with severe shortages of even the most basic foodstuffs, are trying the patience of Nicaraguans living under what officials dub a "survival economy."

The ruling Sandinista National Liberation Front (FSLN) has reacted swiftly to the widened military and political threat posed by the new US aid to the Contras, enforcing an eight-month-old state of emergency with vigour.

But the authorities appear less confident about how to deal with their economic problems.

To Managua, last month's $100m Contra aid vote was tantamount to a declaration of war by the US, and the Sandinistas are tuning their political, military and economic responses in the same key.

A day after the vote, the Government ordered the indefinite closure of La Prensa, the only opposition daily newspaper. A week later, Bishop Pablo Antonio Vega—the country's second ranking Catholic prelate—was expelled from Nicaragua for "unpatriotic and criminal behaviour."

Bishop Vega, a prominent Government critic, had refused to condemn the Contra aid, and had argued that any US invasion of Nicaragua would be justified by the Soviet and Cuban involvement in the country.

The Sandinistas were clearly aware of the damage that such dramatic moves as the La Prensa closure and Bishop Vega's expulsion would do to their international image.

But the timing—just after the congressional vote and the World Court verdict declaring US aid to the Contras illegal—gave Managua some cover.

"Western Europeans are still less happy with US policy than they are with the Sandinistas," says one senior Western diplomat in Managua. "You balance the ledger, and the Sandinistas come out ahead."

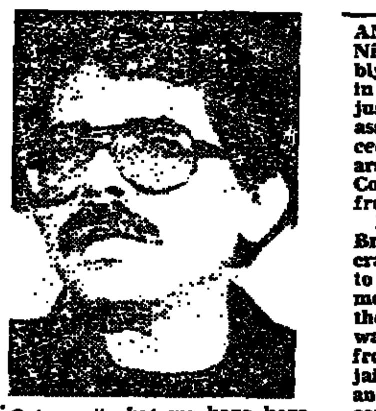
At the same time, the Government appears to have decided that international public support offers less protection from a possible US invasion than does heightened internal security and stronger military preparations.

In a recent speech to tens of thousands of supporters, President Daniel Ortega insisted that Nicaragua was "not afraid of civic struggle. But in these circumstances of war . . . when some political and religious leaders turn into instruments of the US Government's terrorist policy, we are not so ingenuous as to accept civic struggle.

"What we have here is war," the President said, "and the response to war is war."

Statements by senior officials indicate no short-term relaxation of that stance. Bishop Vega's expulsion, said the FSLN delegate in Mangua, "was only the first skirmish in the battle against imperialism."

"We are not going back on any of the steps we have taken," added Mr Carlos Nunez, one of the FSLN's nine comandantes, and president of the National Assembly. "The political situation will get tenser, and the war will continue on all fronts."



Ortega: "what we have here is war"

AN opposition member of Nicaragua's National Assembly sought political asylum in the Venezuelan embassy just hours before the assembly was to begin proceedings against him in an arson case, according to a Congressman, AP reports from Managua.

Mr Felix Pedro Espinoza Briones, a conservative Democratic Party congressman, fled to the embassy on Tuesday morning because he feared the Sandinista Government was trying to remove him from his seat and have him jailed, said Mr Sergio Torres, another of the party's five congressmen.

On the military front, the Sandinistas say two highly successful offensives in 1985 dealt the Contras a "strategic defeat" that no amount of US aid can reverse. Hopes that $100m "can save the mercenary forces from total defeat are "illusory," according to Mr Humberto Ortega, the Defence Minister.

Yet, the new weaponry, such as ground-to-air missiles, that the Contras say they will now buy, and the expert training that the CIA and the Pentagon are to give the rebels, will undoubtedly make the war harder for the Sandinista army to fight.

The four-year-war's death toll, which officials here put at 16,000, is also expected to grow at a gathering pace.

Sandinista military planners, however, are less concerned by the Contra war than they are about what would happen if the rebels make no significant advances over the coming year. A US invasion, they claim, might then be a real possibility.

President Ortega warned on the night of the US Congressional vote that the principal danger was that the rebel aid "could translate in time into a new military escalation . . . leading to the intervention of US troops themselves into our country."

That prospect has guided Nicaraguan military doctrine. "The size of our army and its weaponry will always match the threat of a US intervention, Mr Humberto Ortega insisted earlier this year.

The first and last line of defence, in Sandinista doctrine, is a people in arms. There are now 300,000 AK-47s in Nicaragua, according to Interior Ministry estimates and another 100,000 are expected by the end of the year.

Most have already been given to militiamen, army reservists, and others, but a proportion of the rifles are being stored in 8,000 secret caches in readiness for an invasion, Mr Omar Cabezas, the Interior Minister, said last week.

The Sandinistas seem more sure of themselves in mapping a military strategy than in solving their grave domestic economic problems, which the war has clearly aggravated.

Resigned to depending on the Soviet Union for all its oil and military hardware, the Government is, nonetheless, seeking to cut back on imports of basic food grains, 25 per cent of which came from abroad last year — mostly through donations from Socialist bloc countries.

The central problem facing planners of what is still a mixed economy is appallingly low productivity, the effects of which are most strongly felt in the agricultural sector.

The web of reasons behind this is complex: The army has drained the labour force, as has massive migration to the cities; producer prices have not risen fast enough to offer real incentives to private growers; foreign exchange shortages and distribution snarl-ups hinder efficient provision of input; and the average working day in the countryside lasts only about three hours, according to Mr Jaime Wheelock, the Agriculture Minister.

The results are clear however. Managua's shoppers are lucky to find rice and beans, the Nicaraguan staples, even in Government-controlled outlets, where a ration card is supposed to guarantee each family a minimum of basic goods.

The FSLN devoted its annual party congress early this month to problems of production and supply, but the meeting adjourned after three days without taking any decision. This suggested that the Government is in disarray over how to tackle the problem.

There are, however, pointers towards a tougher line against so-called "unpatriotic" large private producers, accused of sabotaging output through neglect.

Responding to the Contra aid vote, the Sandinista leadership warned that "the state with its laws" would act against "indirect agents of (US) aggression: speculators, idlers, and incompetents who remain in the country."

Since then, trade union leaders at the largest privately-owned sugar mill have demanded that it should be confiscated by the state, charging management with deliberately slowing down production.

The Government appears undecided whether to respond to this call, and others like it, but the official mood is clear: in wartime, those who are not with their governments must be with the enemy.

Keeping a weather-eye on the possibility of a direct US invasion, the Sandinistas are buckling down for protracted war against the rebels, and against potential fifth columnists within the country. As Comandante Nuñez put it in response to Opposition pleas for more political flexibility, "this is no time for concessions."

Duarte rejects rebel talks offer

BY DAVID GARDNER IN MEXICO CITY

PRESIDENT Jose Napoleon Duarte of El Salvador yesterday ruled out left-wing rebel proposals for peace talks on July 30 aimed at negotiating an end to the country's six-year-old civil war.

Mr Duarte himself had publicly proposed on June 1 a third round of peace talks to take place inside the country in July or August. Two previous rounds of talks in October and November 1984 left the two sides as far apart as when they began.

Mr Duarte said modified rebel proposals announced last week were no different to the insurgent platform his Government had rejected at the second round in Ayajualo, near the capital San Salvador.

The rebel army, the Farabundo Marti National Liberation Front (FMLN), last Friday called for a broad-based coalition government to be set up in which the insurgents would be "one of the components." If accepted this would lead to an immediate ceasefire and the calling of new elections open to all.

The rebels' political leadership, headed by Dr Guillermo Ungo and Mr Ruben Zamora, said on Monday that their proposals did not amount to power-sharing, but should be understood as a call for an "historic compromise."

Mr Duarte's position has been that he cannot swerve from the constitution. This was drawn up by an extreme right-wing dominated constituent assembly in 1982-83, at the height of the civil war and the reign of the paramilitary "death squads," which masacred tens of thousands of dissidents and suspected rebel supporters.

The Salvadorean president has offered an amnesty if the FMLN lays down its arms

Death sentence for Haiti chief

THE FORMER head of Haiti's secret police under the regime of the now-deposed government of Mr Jean-Claude Duvalier, has been sentenced to death after a nationally televised trial for crimes committed during the Duvalier dictatorship, writes **Canute James in Kingston.**

The trial and conviction of Mr Luc Desire in Port au Prince is expected by diplomats to mollify some of the public pressure on General Henri Namphy, who took over as head of the provisional government following Mr Duvalier's flight from the country to exile in France last February. Mr Desir's lawyers plan to appeal

US electronics company admits defence fraud

BY TERRY DODSWORTH IN NEW YORK

LITTON INDUSTRIES, the Californian-based electronics group, has agreed to pay about $15m (£10m) in restitution and penalties on overbilling on defence contracts in a further example of the US government crack-down on overcharging among military suppliers.

The penalties were agreed after Litton pleaded guilty to 325 counts of fraud for overbilling the US Defence Department by $6.3m. The settlement follows a number of well-publicised cases over the last year, involving, among others, General Dynamics, the largest US defence contractor, Rockwell International, General Electric and Sperry.

Executives at Litton's Special Devices division were accused of giving false cost and pricing data to their military customers, in some cases charging twice for the same raw materials. According to prosecution lawyers, the company charged the Defence Department up to four times the legitimate price on some contracts for electronic components in the period from 1975 to 1984.

US warns Pakistan over N-weapon

By Reginald Dale, US Editor in Washington

PRESIDENT Ronald Reagan yesterday delivered a stiff warning to Pakistan that all US economic and military aid would be terminated if the country acquired a nuclear weapon.

The US position was "well understood" by the Pakistani Government, a senior US official said after an hour-long White House meeting between Mr Reagan and Mr Mohammed Junejo, the Pakistan Prime Minister.

Mr Reagan expressed continuing US concern over Pakistan's "unsafeguarded nuclear activities," which are not subject to supervision by the Vienna-based International Atomic Energy Authority, the official said. He added, however, that last October's presidential certification to Congress that Pakistan did not possess a nuclear weapon remained valid.

Pakistan had frequently assured the US, both publicly and privately that it had neither the intention nor the capability to make a nuclear weapon, the official said. Both Mr Reagan and Mr Junejo agreed on the critical importance of avoiding a nuclear arms race in South Asia.

Nuclear concerns apart, the two leaders quickly reaffirmed the excellent state of US-Pakistani relations, with Mr Reagan reiterating Washington's long term commitment to Pakistan's security, the official said. The Administration would make every effort to persuade Congress to approve in full the proposed new six-year $4bn US aid plan for Pakistan. US aid was a "significant brake" on Pakistan's nuclear programme, the official said.

The two countries also saw eye to eye on Afghanistan, with both leaders agreeing that the twin objectives must be the earliest possible complete Soviet withdrawal and self-determination for the Afghan people.

Mr Junejo complained of increased pressure on Pakistan's border with Afghanistan, including bombings, sabotage and attempts at political subversion designed to drive a wedge between Afghan refugees and the local population.

Mr Junejo said his government was studying legislation to increase penalties for trafficking

Canon accused of copier monopoly

By Nancy Dunne in Washington

AUNYX Corporation, a small privately owned Massachusetts company, has gone to a US federal court and the International Trade Commission to battle the giant Canon Japan and Canon USA for a share in the $1bn copier toner business.

In cases announced on Tuesday, Aunyx spokesmen said Canon now had a monopoly on sales of toner compatible with its copier machines, and it had, through a variety of unfair trade practices, sought to prevent Aunyx from selling its own toner for Canon copiers.

Canon Japan manufactures various copier machines which it distributes along with toner through its subsidiary Canon USA. In the US, only Canon and Aunyx market a toner which can be used in Canon copiers.

Mr Bart Fisher, a Washington D. C. attorney representing Aunyx, said the US has "over the last decade been witnessing the Japanisation of the US copier and toner market."

He charged Canon with "a persistent and complicated pattern of exclusionary acts" claiming that it has coerced its dealers not to buy Aunyx-manufactured toner, blocked Aunyx's supply of raw materials and parts and interfered with Aunyx's relations with its customers.

Canon, he said "has become a loose cannon in the world of copiers."

The company has asked the ITC to issue an exclusion order to prevent Canon from importing toners to the US and a cease and desist order to prevent the "unfair practices."

Fleet shrinks

By Fay Gjester in Oslo

THE Norwegian-registered merchant fleet continued to shrink during the first half of 1986, as more owners either sold their vessels, or transferred them to foreign registry, to save on running costs.

The Shipowners Association reports that on July 1 there were only 627 ships totalling 13.2m deadweight tonnes still flying the Norwegian flag – a decline of 40 units and 3.7m dwt, compared with January 1.

Indonesia wins deal to supply LPG to Japan

BY MICHAEL BYRNES IN JAKARTA

INDONESIA'S sagging oil export revenues will receive a $200m-a-year boost from new liquefied petroleum gas (LPG) exports to Japan. The final price for the annual exports of 1.95m tons of LPG remains to be settled.

Pertamina, the Indonesian state oil company, yesterday refused to be drawn on specific details of price and expected export revenue.

The current export prices of Indonesian LPG is about $100 a ton. This would indicate that the deliveries of new LPG supplies to Japan which begin in mid-1988, will bring in almost $200m a year.

Although the revenue will be welcome, it will not go far toward filling Indonesia's widening external deficit created by the collapse of oil prices.

Indonesia's export revenue from oil last year declined by around $3.2bn to about $12.4bn and is projected to fall to around $7.7bn.

Indonesia is projected to emerge as one of the world's largest exporters of LPG when the new contracts come into operation. Its exports last year amounted to 635,967 tons, down 12.3 per cent from the year before.

Mr Bambang Bramono, chief of Petamina's gas marketing bureau, hopes to increase overall LPG exports to about 3m tons a year by 1989.

Indonesia already has a contract with a Japanese consortium for the sale of 450,000 tons of LPG a year from its Bintang Island plant.

Pertamina will supply seven buyers in Japan: Nippon Petroleum Gas, Idamitsu Kosan, Cosmo Oil, Showa Shell Sekiyu KK, Kyodo Oil, Mitsui Liquified Gas and Mitsubishi. The gas will come from Arun, northern Sumatra and Bontang, East Kalimantan.

Pertamina is to build a 1.6m tons capacity LPG plant in Arun and another in Bontang with an annual capacity of 350,000 tons. The two plants will cost around $7bn.

Mr Bramono says financing of the plants has been arranged and the contractor will be appointed as soon as financial agreements are finalised.

Construction works have been tendered internally in Indonesia. Bidders include Kyodo and Japan Gas.

GM and Suzuki plan Ontario car factory

BY ROBERT GIBBENS IN MONTREAL

GENERAL MOTORS of the US and Suzuki of Japan are expected to announce on July 30 the go-ahead for a jointly-owned car assembly plant in southern Ontario.

The plant would help the two groups to compete against Hyundai of South Korea which has been making increasing inroads into the Canadian market.

Industry sources estimate the plant will cost about C$650m (US$480m).

Incentives will be available from both the federal and Ontario governments but neither government will give details.

Hyundai is the largest importer into Canada and is selling cars at an annual rate of more than 100,000 units in the US. The GM-Suzuki plant would be covered by the Canada-US car pact and would supply both markets.

In Vancouver, Mr Pat Carney, International Trade Minister, said Canada had asked South Korea for "an orderly market" in the sale of Hyundai cars in Canada but import quotas would not be imposed.

The Japanese car industry has complained that it faces import quotas in Canada while Hyundai cars enter duty-free and without restriction.

Hyundai has duty-free status until 1988 because South Korea is classified as a developing nation. Hyundai later this year will start construction of a C$300m assembly plant near Montreal.

Indian plan to modernise textiles

By K. K. Sharma in New Delhi

INDIA has drawn up a Rs 7.5bn (£416m) package to modernise its textile industry. The scheme is part of its plans to boost exports.

The package will involve soft loans to textile mills and a rehabilitation fund which will be used to help displaced workers find other employment.

India's annual exports of textiles are now worth more than Rs 100m, nearly three quarters of which is accounted for by ready made garments.

The government feels that exports of synthetic and cotton material, as well as those of ready-made garments based on production of Indian yarn and cloth, can be substantially increased. World demand is rising and India's share under the next Multiple Arrangement is expected to rise.

The costs of Indian textile mills are high because many of them use out-dated machinery and are small. The soft loans in the new package will help them to modernise and so make Indian textiles exports more competitive.

The modernisation fund will be built up initially of revenues collected from additional excise duties and is expected to be operated by the Government-owned Industrial Development Bank of India which will receive special subsidies to enable it to grant concessional loans to textile mills.

US export control system 'needs overhaul'

By Our Washington Staff

MR LIONEL OLMER, former US undersecretary of commerce, yesterday attacked the export control system he once presided over as "badly in need of an overhaul."

Mr Olmer, an attorney now in private practice in Washington DC, told the private Committee on East-West Accord that steps taken by the Reagan Administration to improve the system of controlling high technology exports and "the investment of considerable capital by the departments of defence and commerce to increase efficiency" simply have not worked.

UK NEWS

Ford to invest £45m at three component plants

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

FORD OF BRITAIN is to invest nearly £45m at three of its component plants over the next four years, including £30m at west Belfast in Northern Ireland.

While removing the threat of closure from Belfast and sparkplug operations at Enfield in north London and Treforest, South Wales, Ford gave a warning yesterday that its Woolwich, south-east London, factory might have to close by 1989 with the loss of all 383 jobs.

A further 101 jobs are to go at Enfield and Treforest. The company expects that all redundancies will be voluntary.

Employment in Ford's Belfast plant has come down from 1,400 at the beginning of the 1980s to about 850, but the company said it hoped to keep most of the present workforce.

"The decision to invest in Belfast was taken after a long and detailed study into the viability of the plant. There is no doubt that, without this injection of new work, the outlook would have been bleak," said Mr Bill Hayden, Ford of Europe's vice-president, manufacturing.

The political implications of another big manufacturing closure in Belfast obviously had some bearing on Ford's decision, but the company insisted that the investment would be cost-effective and that the same criteria had been applied as at any other Ford of Britain plant.

Ford has been under pressure from the Irish Development Board (IDB) to broaden the range of products to ensure the future of the Belfast plant, which is in an area of high unemployment.

About half the capital expenditure for the new project, involving production of oil and water pumps for petrol and diesel engines, will be covered by grants from the IDB.

Ford has spent £23m on the Belfast factory since 1976 and recently introduced production of carburettors assembled from components supplied by Weber of Bologna, Italy.

Production of pumps will begin next summer and by late 1989 the plant will have an annual capacity of more than 1m each of oil and water pumps and 300,000 carburettors.

Belfast's gain is Woolwich's loss because the south-east London factory has been manufacturing and machining a range of parts, including oil and water pumps

Woolwich employees were told yesterday that by the 1990s the plant would have work for only 20 per cent of the available space at a time when other Ford plants also had significant spare capacity.

Ford had been expected to stop sparkplug production and buy from outside suppliers or enter into a joint venture. However, the company – the only UK-based vehicle producer making its own sparkplugs – said Enfield would produce a good rate of return on the investment.

● Three new directors have been appointed by the Rover Group, formerly British Leyland, in accordance with the undertaking given by new chairman and chief executive Mr Graham Day that he would bring in fresh blood to provide "added dimension and experience."

Ford has launched two high-performance, high-profit and image-building cars in the UK through its 90 specialist Rallye Sport dealers.

The Sierra RS Cosworth is on sale at £15,950 and the company has also introduced a new version of the Escort RS Turbo at £10,028, compared with £9,583 for the earlier model launched at the end of 1984.

Some 5,000 Sierra Cosworths will be built to qualify the model for the world touring car championships and about half have been allocated for sale in Britain.

Ford believes the Cosworth offers good value compared with other performance cars

GOVERNMENT SEEKS TO END PROTRACTED DISPUTE

Lawyers win concession on fees

BY HAZEL DUFFY

THE GOVERNMENT has made a considerable concession to the demands of the legal profession for substantial increases in criminal legal-aid fees with the offer from the Lord Chancellor yesterday of a 5 per cent increase in fees paid to barristers and 6.5 per cent to solicitors.

The payments will be in addition to the 5 per cent already awarded from April 1. But the new package will not come into effect until October 1, bringing the total increases for the year to next April to 7.5 per cent for barristers and 8.25 per cent for solicitors. London solicitors will also receive an additional 2 per cent weighting to compensate for higher costs in the capital.

Two per cent of the new offer to solicitors and barristers is in respect of "efficiency," although neither side of the profession has yet made substantial concessions in its practices. But the Government has secured the agreement of the profession to be represented with it on a standing commission aimed at bringing greater efficiency to court proceedings.

Lord Hailsham, the Lord Chancellor, made clear that he thought the procedures before trials were where the greatest savings could be made.

The Government has also gained the agreement of the Bar to a new system of standard fees for the bulk of criminal legal-aid work, although the Lord Chancellor rejected the barristers' request that the structure of standard fees should be the same as those set by the Attorney General for the new Crown prosecution service.

Details of the latter scheme, which will mean barristers will know in advance their payment for a case, were announced by the Attorney General shortly before Lord Hailsham's statement.

Future negotiations between the Government and the profession on fees will be conducted with the aid of a new advisory system. Separate joint committees will be set up between the Government and the Bar and the Law Society, which represents solicitors.

The committees will determine the data on current payments. That will be given to the Lord Chancellor, who will make a statutory decision on fees.

The reaction of the profession to the new package – which would cost the Government £17.5m in a full year in addition to £13m allocated to the original offer – was guarded.

Mr Robert Alexander QC, chairman of the Bar, said it was "not enough." Mr Tony Girling, chairman of the Law Society's remuneration committee, expressed "dissatisfaction in many respects but also relief" at the outcome. Both bodies, however, will recommend acceptance to their members.

June government borrowings fall unexpectedly

BY GEORGE GRAHAM

BUOYANT tax revenues helped to reduce government borrowings to a lower level than expected in June, according to figures announced by the Treasury yesterday.

The public-sector borrowing requirement (PSBR) is provisionally estimated to have totalled £599m last month, bringing the total in the first three months of the current fiscal year to £2.53bn compared with £2.59bn in the same period last year.

The Inland Revenue took in £3.46bn in tax receipts in June, bringing revenues for the first quarter of the fiscal year to £11.81bn.

That is 12 per cent higher than in the same period a year earlier. The Treasury, in its Budget forecasts, predicted a 9½ per cent rise in tax receipts not linked to North Sea oil.

The Treasury forecast a PSBR of £7.1bn for the whole of 1986-87, slightly higher than last year although below the level fixed in the Government's earlier medium-term financial strategy.

Analysts noted yesterday that the PSBR fluctuates wildly over the year as tax receipts come in unevenly, and cautioned against interpreting the apparently low borrowing requirement in the first three months as an indicator for the year as a whole.

The effect of lower oil prices on government revenues will not become apparent until later in the year. Instalments of petroleum-revenue tax now being paid are based on prices in the second half of 1985, and the adjustment to 1986's sharply reduced prices will not be made until September.

London's financial markets, however, reacted favourably to the announcement. Gilt-edged government securities, which had already strengthened during the day, rose further in price.

Alliance leaders plan policy on defence

By Peter Riddell

THE LEADERS of the Social Democrat/Liberal Alliance have agreed to a compromise formula on nuclear defence. It avoids the issue of the replacement of Polaris, Britain's submarine-based nuclear deterrent, and is intended to lower the temperature ahead of the two parties' conferences this autumn. The two parties have been at odds over defence policy.

Mr David Steel, the Liberal leader, and Dr David Owen, the Social Democrat leader, yesterday released the defence section of their new policy document, Priorities for the 1990s, which is to be presented to a conference of Alliance candidates on Saturday week.

The document emphasises the European aspect of defence policy.

"Western Europe will continue to need a substantial American contribution to its defence and security for the foreseeable future. But the present imbalance between American leadership and grudging European support within Nato is unsustainable. Both sides of the Atlantic will benefit from a stronger European pillar within the Atlantic alliance."

SDI deals of £50m seen for next year

BY PETER MARSH

BRITISH companies might next year win Star Wars contracts from the US totalling at £50m, with "hundreds of millions of pounds" of work likely in the full five years of the programme, according to the Defence Ministry's top scientist attached to the project.

Dr Stanley Orman, director general of the ministry's Strategic Defence Initiative (SDI) participation office, discussed Britain's role in the project publicly yesterday, partly to counter criticism that, so far, UK industry has gained little from the scheme.

Under an agreement between the US and UK in December, British companies and government establishments can bid for work under the Star Wars programme, which is due to spend about £20bn by the early 1990s on devising a space-based shield to try to defend the West from nuclear attack.

If the five-year research phase shows that such a shield is feasible, the US and its allies could begin deployment of an operational anti-missile system in the late 1990s. It would comprise devices such as laser guns and rockets, supervised by computers, to attempt to shoot down Soviet warheads before they reached their targets.

Despite talk last year of Britain's gaining as much as £1bn worth of work from the programme, UK organisations have so far obtained Star Wars contracts worth only about £15m, compared with SDI work handed out to US defence concerns totalling roughly £3bn. Some British industrialists have privately expressed scepticism as to whether significant contracts will be placed with the UK.

Dr Orman, who heads a 25-person department at the ministry that seeks to make it easier for UK companies to conclude Star Wars deals with the US, told a press conference that the £1bn figure canvassed last year was "not realistically obtainable in the short term." He said there was never any prospect of the US Defence Department's rapidly awarding large contracts to UK concerns.

He insisted, however, that the formal participation by Whitehall in the programme gave UK concerns in technical areas such as electronics, radar systems and communications "tremendous opportunities" for large contracts. He said he would be disappointed if such companies failed to win contracts worth £50m in 1987.

Dr Orman, a former scientist at the Defence Ministry's Atomic Weapons Research Establishment who has worked on the Chevaline programme to upgrade Britain's Polaris nuclear strike force, said the UK had unique skills to offer the US in several key areas of military technology.

But he said the US had not set aside a specific sum of cash for British organisations. "No one owes us a living. Any contracts which we obtain will have to be earned in the marketplace."

Contracts awarded to Britain so far cover work by the UK Atomic Energy Authority's Culham Laboratory on devices that use ion beams to shoot down missiles. A second award is paying for studies by UK defence companies to devise techniques to try to ensure that a Star Wars shield defended not only the US but Western Europe.

Further contracts to be handed out by the Pentagon in the next couple of months include work worth a total of about £15m to be shared by Defence Ministry research establishments and industry in three technical areas.

They are: development of rail guns, electromagnetically powered weapons that fire small bullets at targets; ways to "harden" space-based weapons and sensor systems against any possible attack; and techniques in "countermeasures"

Men and Matters, Page 10

Water groups disclose sharply higher profits

WATER AUTHORITIES yesterday announced substantially higher profits, Richard Evans writes. That was largely because of the Treasury policy of pushing up water charges faster than the rate of inflation in order to accelerate debt repayment and lessen demands on the public-sector borrowing requirement.

Thames Water, the biggest and most profitable of the 10 authorities, predictably put in the best performance for the year to March with net profit lifted from £105m to £150m on a turnover of £501m. Anglian's profits rose from £23m to £39m; North West from £13m to £35.5m; and Northumbrian, the smallest, from £1m to over £7m.

The results show how the efficiency of the authorities had been raised before the Government's planned privatisation of the industry, which has now been shelved until after the next general election. The authorities have become much more financially attractive since the prospect of privatisation was first raised 18 months ago.

□ PRINT union leaders may have to wait a further two weeks to hear whether Mr Rupert Murdoch's News International is willing to reopen talks on the dispute over his newspaper operations at Wapping, in east London.

□ COAL-FIRED power stations proposed for southern England will be the first to be fitted with anti-pollution equipment at an additional cost of £150m for each station. The equipment will reduce the amount of sulphur dioxide released. That is commonly linked with "acid rain."

Britain is widely accused of being the largest emitter of sulphur dioxide in Western Europe.

□ VOLUME on the London International Financial Futures Exchange (Liffe) doubled in the first half of 1986 compared with the same period of last year, boosted by futures on UK and US government bonds, according to figures released yesterday.

The number of futures and options contracts traded rose from 1.60m to 3.28m.

□ BRITISH STEEL might become financially self-sufficient and "off the back of government borrowing" in three to five years, Mr Bob Scholey, chairman of the corporation, told MPs on an all-party House of Commons committee.

Break-up warning, Page 6

□ BRITISH AIRPORTS Authority (BAA) is to have its debts from the National Loans Fund written off and is to be split into seven subsidiary companies, one for each BAA airport, ahead of the privatisation of authority next year.

□ BET, the parent company of Rediffusion Simulation, has bought a 50 per cent stake in British Caledonian Flight Training, a subsidiary of British Caledonian Airways, for £4m.

UK NEWS

London clashes with Dublin on policing issue

BY HUGH CARNEGY IN DUBLIN

SERIOUS differences between the British and Irish governments over the handling of last weekend's Protestant parades in Northern Ireland came into the open yesterday in one of their most public disagreements since the signing of the Anglo-Irish agreement eight months ago.

In a statement on Tuesday night, Mr Peter Barry, the Irish Foreign Minister, said he had protested in strong terms to Mr Tom King, the Northern Ireland Secretary, about attacks on Roman Catholics by Loyalists and what he called "intolerable" operational decisions by the Royal Ulster Constabulary (RUC).

That was a reference to a decision by the RUC to let an Orange Order parade pass through a Roman Catholic area of Portadown, County Armagh, on Saturday, a concession to Loyalists that outraged local nationalists. Mr Barry said he shared their deep resentment.

In a pointed response yesterday, Mr King, while avoiding direct mention of Mr Barry, said all operational decisions were entirely a matter for the RUC and he had no intention of changing that. Both sides had criticised the police but he expressed his sympathy and appreciation for their work over a violent weekend and added his "respect for the way in which they sought to discharge their responsibilities in an even-handed way."

Dublin was upset by the Portadown decision because it believed the British would ban all provocative marches through Roman Catholic enclaves to honour an undertaking in the Anglo-Irish agreement to treat the two communities with equal respect. Like moderate nationalist politicians in the North, it regarded the move as a dangerous climbdown, in the face of threats by the Rev Ian Paisley, leader of the Democratic Unionist Party, and others, which would sap support among Catholics for the agreement.

The British view is that the decision was a pragmatic and mainly successful way of averting a potentially uncontrollable confrontation – although some senior figures in the Northern Ireland Office wanted the Paisley threat challenged.

The issue amounts to an undoubted hitch in the agreement. It will make Dublin more determined than ever to win the changes it wants in the North's judicial system

Neither side will want the dispute to inflict permanent damage on the accord. Last night, Mr Barry said on Irish television that, although there were bound to be difficulties, those were no reason to walk away from the table.

Unionist politicians denounced Mr Barry's intervention as inflammatory. Even Mr John Cushnahan, leader of the non-sectarian Alliance Party, said it was scandalous that Mr Barry gave no recognition to the "tremendous difficulties" faced by the RUC in recent days.

Tom Lynch writes: The Government and opposition in the House of Commons yesterday joined in criticising Mr Barry's remarks.

Mr King praised the RUC's role. He said there was always tension during the marching season. "It is a widespread view on both sides of the community that the violence that took place was very much less than had been predicted, and a lot of that had to do with the sensible and wise policing decisions that were taken."

EEC chided for 'eccentric' protection of consumers

BY CHRISTOPHER PARKES

IF EUROPEAN consumers are to benefit from and grow to love the Common Market, then EEC institutions should stop tinkering with rules to protect the public from doorstep salesmen and correspondence-course touts, according to a report from a House of Lords committee.

The advantages of such directives are "trivial" compared with those flowing from reform of the Common Agricultural Policy or the application of competition regulations to air fares.

The Select Committee on the European Communities says the public's expectations at the EEC remain unfulfilled. It blames that on "indolence and indifference" in the Council of Ministers, the Commission's "eccentric" choice of targets for consumer protection legislation and the sluggish decision-making process.

It argues that there is a good case for establishing a formal consumer policy, and points out that the Community spends £100 a year on every cow in the EEC and less than a penny a head on consumers.

The report welcomes recent progress on consumer matters such as the introduction of regular meetings of consumer ministers and Commission initiatives taken last year to revive the inert consumer protection programme.

Even so, the Brussels administration is criticised because its policy on industrial harmonisation does not ensure "a strong consumer input" to the writing of European safety standards.

The committee also urges the Commission to propose legislation to impose a general duty on manufacturers to produce safe goods.

"A general obligation ... to achieve an acceptable safety standard would induce greater responsibility on the part of suppliers who at present regard themselves as beyond the reach of legislation, and provide wider scope for swift remedial action by enforcement authorities," it says.

While general laws could act as a safety net to guarantee basic standards for products not yet covered by EEC law, there is also a need for specific legislation in some areas. The report suggests that priority should be given to toys and children's equipment.

Consumer Protection Policy. House of Lords Select Committee on the European Communities (HL 192), HMSO, £12.50.

Rethink urged on steel break-up

BY NICK GARNETT

FURTHER breaking up the British Steel Corporation (BSC) as an integrated producer would seriously threaten its ability to maintain and expand its position in UK and world markets, says a report published today by the National Economic Development Office (Nedo).

Division of BSC's operations into totally independent businesses is a policy favoured by some senior corporation managers, but Nedo says that would weaken its direct contacts with steel users and reduce its ability to offer a broad range of products to big customers.

It might also demoralise the management if it were left to run the less viable crude steelmaking operations. Those issues, it says, have nothing to do with the question of privatisation but must be judged on industrial and, in particular, marketing considerations.

The Nedo report also argues that BSC needs to become more marketing-oriented and that, to do so, present government restraints on what it can do in terms of diversifying into other businesses and forming joint partnerships with other steel companies must be relaxed.

BSC's best opportunities for expanding sales – which it needs to do to earn the profits necessary for equipment renewal – lie in the EEC, the report says. Last year the UK had a negative trade balance with the EEC's top five steel-producing countries of 1.3m tonnes. The corporation and other UK steelmakers should be seeking to reverse that as a means of boosting output. Many of the corporation's other markets, including the US, are vulnerable because of protectionism, the report says.

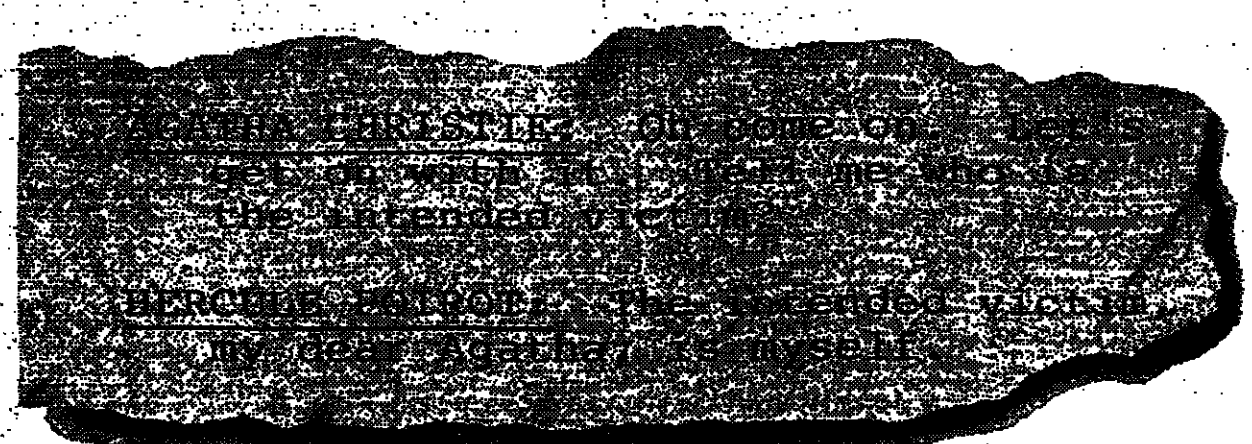
Mr Bob Scholey, BSC chairman, said last week that the corporation was seeking to raise its market share in the EEC and the rest of Western Europe. He conceded, however, that it would not be easy because BSC was working from a low base with just 2 or 3 per cent of the European market and possessing only a rudimentary distribution system.

BSC is the world's third biggest steel company after Nippon Steel of Japan (with double BSC's 14m tonnes output of liquid steel) and US Steel.

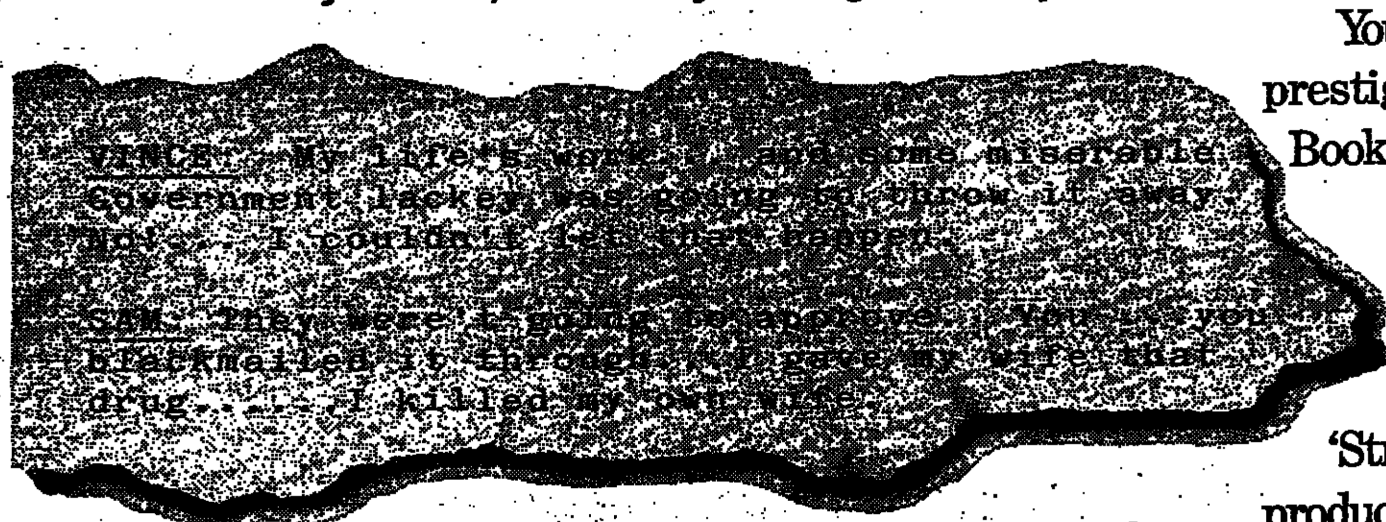
It accounts for 78 per cent of the UK's total raw steel production. Companies jointly owned by BSC and the private sector account for a further 16 per cent and the remainder is produced by the fully private sector.

Steel: The world market and the UK steel industry; Nedo £10.

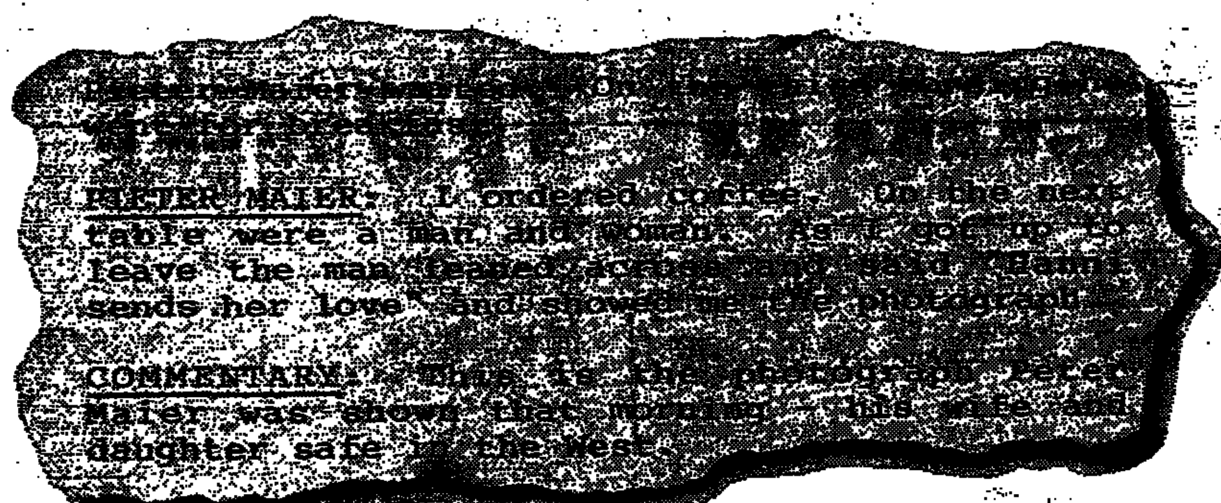
Which ending goes with which script?



Murder by the Book, ITV Thursday 28th August at 8.30pm.

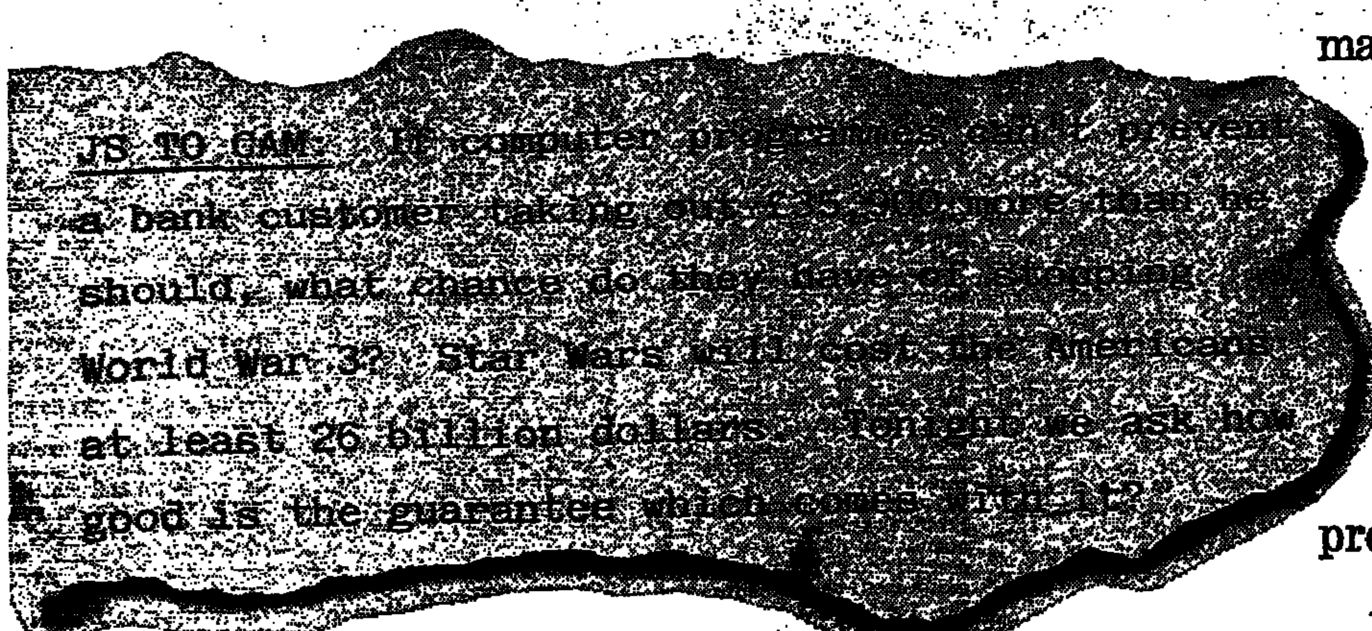


Strong Medicine, ITV 21st August at 8.00pm and 22nd August at 7.30pm.



Hanni Sends Her Love, Channel 4 Saturday 9th August at 7.30pm.

Summertime Specials, ITV Saturday evenings from 19th July at 7.30pm.



The Real World, ITV Sundays, July and August at 9.50pm.

All 5 of the scripts you see excerpts from here have been made into first-rate TV programmes.

Over the coming weeks they will all be shown nationally on the ITV network.

But whose name will appear at the end of each programme?

You might be tempted to think that a prestige production like 'Murder by the Book' is from Central.

Hercule Poirot's most crucial case, this razor-sharp comedy thriller stars Dame Peggy Ashcroft and Ian Holm.

'Strong Medicine' may strike you as a production in which Thames has a part.

A mini-series dealing with the intrigues of a pharmaceutical company, it fields a heavyweight cast led by Patrick Duffy of 'Dallas' fame.

Of course, 'Hanni Sends Her Love,' a gripping documentary on the Berlin Wall, could only come from the Granada team, couldn't it?

Naturally you could deduce that a scientific magazine programme of the calibre of 'The Real World' is made by Yorkshire.

And who else but LWT could assemble the nation's top comic talent to feature in a series of 'Summertime Specials'?

If these are your conclusions, you're wrong in every case.

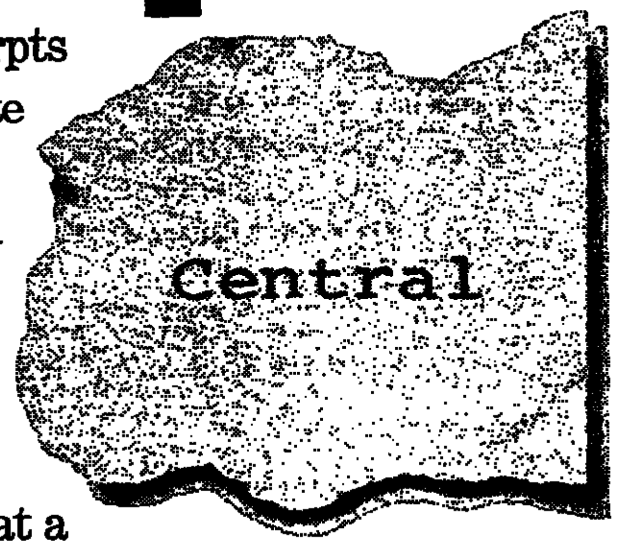
Every one of these programmes was made by Television South.

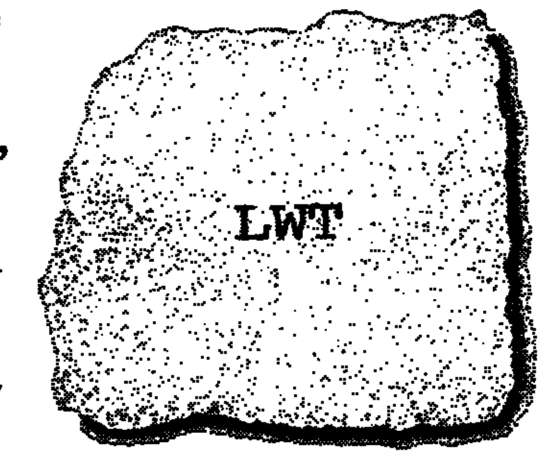
We're one of the newest and brightest of the ITV companies.

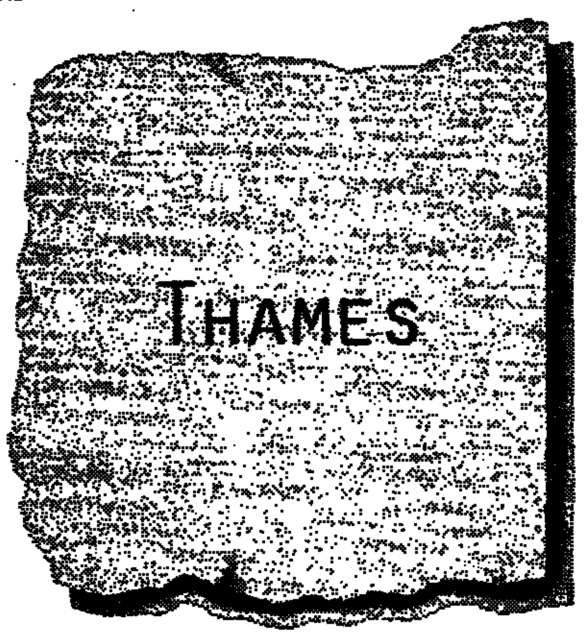
As a glance at our output will confirm.

In future you can look forward to seeing our name at the end of a lot more television programmes.

And not just at the end of an advertisement.







TVS

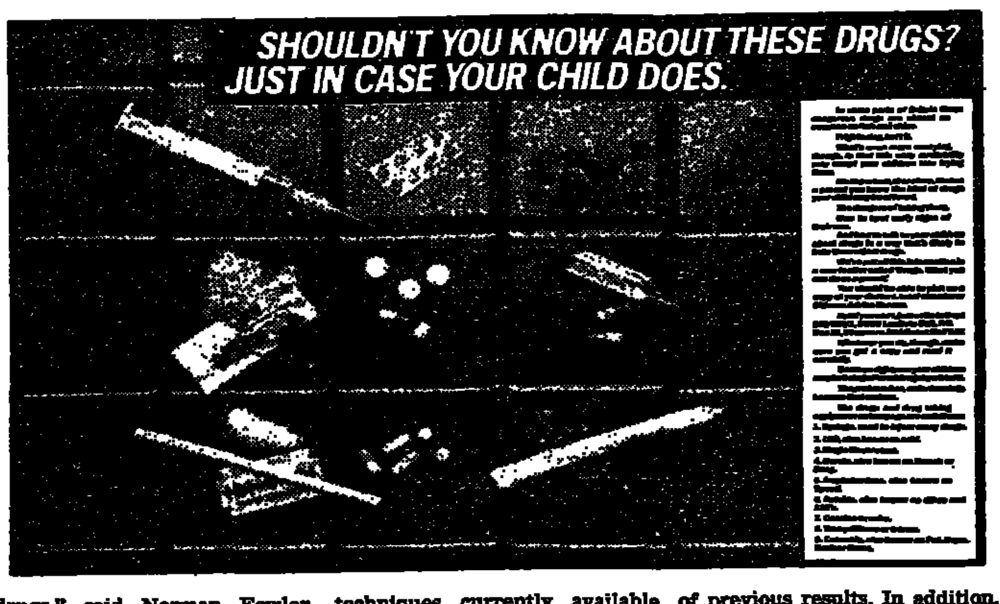
A name to watch out for.

MANAGEMENT: Marketing and Advertising

EDITED BY CHRISTOPHER LORENZ

Anti-drugs campaign

A battle for hearts and minds



Feona McEwan takes a look at the latest stage in the UK campaign aimed at preventing teenagers from becoming drug victims and which includes ads giving parents information about danger signals

"I ALWAYS thought junkies were pathetic . . . y'know, I mean, the sort you find in public bogs jacking up with dirty needles . . . I didn't know many of them started chasing skag . . . seems so easy . . . y'know . . . no blood or finding veins or stuff . . ."

The script of a radio commercial from the UK Government's controversial anti-heroin campaign, currently on air, doesn't mince words. This week, the war on drugs moves up a gear with the launch of the second phase in the campaign, aimed this time at parents.

Parents who don't know about —and in some cases don't care about—acid, skag, tranx and speed, soon will. Ads showing joints, blades, needles and "stuff," the tools of the deadly trade, will identify equipment and drugs and suggest ways of handling the problem. Aimed primarily at mothers—who are seen as pivotal figures, to whom many young users first turn for help—the press ads will appear from September in women's magazines.

So far, the campaign, which is one year old, has been aimed at young "at risk" teenagers, aged 12 to 20 (not the confirmed addict, the hell-bent trier, or the not-tempteds, but the undecided "potential trialists"). The focus initially has been on the physical cost of addiction—loss of hair, impotence, mental problems, skin infection, blood disease.

This teenager thrust continues, but with new expressions of the same message, now showing the social cost of addiction. "*All she wanted was to look good in front of friends*" says the headline, showing a sick young girl. How much can heroin cost you? says another. "It can cost your looks. It can cost you your family. It can cost you your mates . . . your health . . . your possessions. . ."

From the start the campaign has been closely monitored. Results of research after the first 12 months indicate that it is achieving its objective of turning "at risk" teenagers away from heroin. David Mellor, a Home Office minister with responsibility for drugs, this week told a TVS conference held to launch a new drugs offensive in its region, that there are signs that teenage opinion is shifting away from drugs. "The next phase," he added, "is a battle for the hearts and minds of parents throughout the country."

Even so, there has been some concern, especially among those who work with drug-users, that in heightening awareness of heroin, the campaign will only encourage youngsters to try it.

Yellowhammer, the agency behind the campaign, says it was finding that the first ads were so keenly recalled, even though it was a lightweight campaign (i.e. not many ads appeared) that it was running the risk of them becoming so familiar that teenagers were no longer taking notice of them. New ways of expressing the same message were therefore deemed necessary.

Preventative public service ads, like anti-heroin, are notoriously tough for agencies to get right. The campaigns for seatbelts, under-age smoking, drink and drive and Aids have stretched advertising agencies to their creative limits. The voice of scorn, doubt and outright condemnation is never far away, from sceptics who argue that money spent on persuading people NOT to do something (rather than TO do something) is money down the drain, counter-productive, and mission impossible. It is an extra challenge to reach teenagers who are strong on cynicism (especially about advertising), and to whom peer group is all and authority is nothing.

So what can such campaigns achieve? Do they work? The Government believes they do. Countering the critics who call for money to be sunk instead into research and treatment of drug users, the Government steadfastly maintains its faith in advertising as one of its many anti-drugs initiatives. "It is central to the Government effort to stem the demand for drugs," said Norman Fowler, social services secretary when he unveiled the campaign's new phase yesterday in London. "A much higher proportion of young people come across drugs these days, and so it is vitally important for our children growing up with drugs to know what they are encountering." Research shows that many teenagers are offered drugs, very often by friends, without knowing what they are. Heroin is currently widely available (£5 is enough to buy a round for two people) and users are chasing (inhaling) it rather than injecting it.

"We would not have continued with the campaign unless we believed it was having an effect," Fowler continued. This year the Government has put £2m behind its advertising message, an increase on last year.

The agency and its client (the Department of Health and Social Security via the CoI) are adamant that the campaign is working and they challenge any doubter to check the research (on view at the Houses of Parliament library and the Institute for the Study of Drug Dependency, in London) which they say has been conducted by independent market research companies "with no axe to grind," says Sammy Harari, a director of Yellowhammer. "It's the most thoroughly researched campaign I've ever worked on," he says. "We've used the most sophisticated market research techniques currently available for mass media advertising, both qualitative and quantitative."

The research took two forms: initial exploratory research to help define the advertising strategy, which meant talking to addicts, parents, youngsters, interested professionals (family doctors, probation officers, school teachers); and evaluation research. The latter fell into three stages: initial benchmark research checking attitudes and awareness among the target groups, then at six months into the campaign and again 12 months later.

The findings showed that teenagers were showing much more resistance to trying heroin, and were able to give specific reasons for refusal, citing some of the examples of physical deterioration mentioned in the ads. "The campaign seems to have undercut the glamour," says Harari. "The user is seen as less of a peer leader and more a loser. This shift in attitudes is something advertising is uniquely able to do."

According to the findings from RBL, one of the bureaux: "The campaign achieved wide coverage and attracted much attention. There is in this country an established tradition of very high attention-getting, public service television advertising and the anti-heroin results compared with the best of previous results. In addition, the press and poster advertising achieved much higher awareness and recognition than is normally found."

In the spring of 1985, 720 teenagers were asked if they would take heroin if offered it by a friend; 83 per cent said definitely not, 11 per cent were not sure and 6 per cent might. After the "Heroin Screws You Up" campaign, another 720 teenagers were asked the same question. Ninety three per cent said definitely not, 4 per cent weren't sure and 3 per cent said they might.

Main changes, according to RBL, were increased awareness of symptoms and consequences to health of heroin usage; decreased perception of any benefits of heroin usage; decreased beliefs that taking heroin via sniffing or smoking is less addictive; increased belief in death as an inevitable consequence of heroin usage; more confident specific reasons given in support of refusal.

Some critics of the campaign argue that heightened awareness of the issue only moves people to try what would otherwise not have occurred to them. The agency responded by pointing out that youngsters are more widely confronted with drugs now, through friends at school and parties and so on. Far better that they be well informed in order to make rational choices, it argues.

Others are not so sure. Ian Ward-Baskin, scientist at the new Liverpool Acupuncture Clinic which has treated 400 addicts since it opened four months ago, has doubts about the campaign's approach so far. (The clinic claims to wean addicts, mainly aged 16 to 24, in about 10 days on average, off heroin. Most of the addicts have been spending £35 a day on their habit for at least two years.) The clinic quizzed 70 addicts about the campaign. "The first thing they tend to say," says Ward-Baskin, "is that heroin addicts don't belong to Equity. They find the ads very contrived. And if you don't get young people's trust they don't listen to what you're saying. We're forming the opinion that the campaign might work towards greater awareness but that it might direct people towards drugs. So unless it's extraordinarily accurate it might be dangerous. I'm genuinely worried about the next phase of the campaign," he says. But *he concedes that "it's an extraordinarily difficult project."*

The new commercials, however, may go some way to allaying such fears. Two television ads, shot by Ridley Scott, director of Alien and Blade Runner, show teenagers in realistic situations, rather than the stylised shots of the first phase.

One ad features a young trendy streetwise teenager, at a party with her boyfriend. "Don't know why you don't try it," he says. "You got to be a nut," she says. Later in the bus shelter going home, he reckons "he can handle it." The final shot shows him sitting alone at home, sniffing "got a cold or something . . ."It shows *you can say no* without losing your street cred," says Harari.

The second ad shows two young boys, in an urban jungle, one offering the other some "stuff." A third, obviously addicted, joins them, sniffing "with a cold or something." The non-user makes his mind up. "No tanks," he says in a northern drawl, "not today." As well as the television commercials there will be ads in the youth press and in cinemas.

The UK campaign is ricochetting around the world. Already inquiries have come in from Australia, America and France which are keen to learn from the exercise. Harari has just returned from an intensive tour of Australia at the Government's invitation. "They are showing a very very close interest," he says, and are currently studying the UK research.

Where the campaign goes next, whether it broadens or stays focused on heroin, is undecided. "It might be in six to nine months' time," says Harari, "that another round of decisions needs to be taken about where to go from here."

A case for tailored global marketing

BY CHRISTOPHER LORENZ

UNILEVER'S Impulse body spray, which it has turned into a global brand, was developed by the Anglo-Dutch group's South African subsidiary. The revitalisation of Camel as a global cigarette brand by R. J. Reynolds, the US tobacco group, was based on a positioning and advertising strategy formulated by its West German offshoot.

By contrast the head office of Parker Pen alienated its overseas subsidiaries a few years ago by pressing them to implement standardised global advertising and packaging, as well as the centralised product development and manufacture that had been accepted as necessary to Parker's survival.

When multinationals follow the Unilever / Reynolds approach, and use field managers' ideas for global marketing programmes, it helps reduce resistance from country managers everywhere to the whole notion of global marketing, and the greater central control that it implies. But when they move too fast and insensitively from local to global control, like Parker, they can cause demotivation and ineffectiveness in the market place.

This warning comes from John Quelch and Edward Hoff, two Harvard University academics whose salutary article on "Customising Global Marketing" is published in the latest edition of the Harvard Business Review.*

"Too often executives view global marketing as an either/or proposition," they complain. It is seen as necessarily synonymous with complete global standardisation and virtually zero local control.

Instead Quelch and Hoff argue that companies should tailor the approach they use for each element of the "business system" (research; development; supply; production; marketing), and for each part of the marketing mix (product design; branding; positioning; advertising themes; pricing; advertising copy; distribution; sales promotion; customer service).

Both Nestle and Coca-Cola are "global marketers," say the Harvard duo. But their approaches are very different. Nestle uses largely global product design, brand names and packaging, but it adapts its positioning, advertising and pricing, as well as its distribution, sales and service, to the requirements of each region or country. Coca-Cola, on the other hand, centralises most elements of the business system and the marketing mix, except for sales promotion and customer service.

Quelch and Hoff also tilt at the conventional wisdom that the main motivation for globalisation is the relentless quest for economies of scale in development and manufacture. They claim that "Coca-Cola's global policy and Nestle's interest in tighter marketing co-ordination are driven largely by a desire to capitalise on the marketing ideas their managers around the world generate, rather than by potential scale economies."

Nestle, for example, makes its packaged soups in dozens of locally managed plants around the world, with some transference of engineering know-how through a headquarters staff. Products and marketing programmes are also locally managed. "But new ideas are aggressively transferred, with local managers encouraged — or even prodded — to adapt and use them in their own markets. For Nestle, global marketing does not so much yield high manufacturing economies as high efficiency in using scarce new ideas."

Quelch and Hoff point out that strategic elements of the marketing mix such as product positioning are more easily standardised than execution-sensitive elements such as sales promotion. But whatever the element, they recognise that the pressure to standardise inevitably increases when headquarters believes it has identified a superior marketing idea — whether it be a package design, a brand name, or an advertising copy concept.

Commenting on one of the most controversial aspects of global marketing — the standardisation of advertising copy — the authors concede that McCann-Erickson claims to have saved $90m in production costs over 20 years by producing world-wide Coca-Cola commercials. But they warn that, to ensure that such ads have enough attention-getting power to overcome their foreign origins, they are often expensive to make.

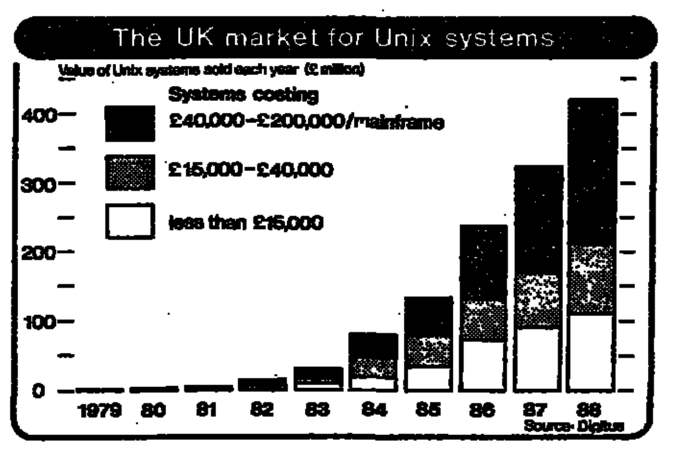
**HBR May-June 1986. Reprint no 86312. HBR Overseas Reprint Service, PO Box 25, 3950 AA Maarn, Netherlands.*

TECHNOLOGY: Computing

BY ALAN CANE

Latest version of Unix computer operating system causes a stir among specialists

AT&T—Pied piper or policeman?



AT&T, THE US telecommunications giant, announced the latest version of Unix, its controversial operating system for medium-sized computer systems, at last month's National Computer Conference in Las Vegas, together with a new cocktail of prices for its use.

Unix specialists, who had been waiting eagerly for the new software, known as System V, Release 3.0, were stirred if not exactly shaken.

The X/Open group, an association of largely European computer manufacturers, committed to the establishment of a common operating system standard for which software applications can be developed, was concerned by what it saw as disappointing progress in the networking features and in the handling of European character sets.

A greater source of concern, however, was the pricing of the new Release 3.0. Unix was developed at AT&T's Bell Laboratories; software developers pay a licence fee for the operating system, together with a royalty on each copy of Unix they sell. The licence fee has gone up *from* $43,000 to $65,000 for Release 3.0; the royalty fee varies from $60 for a single-user system to $150 for Unix with all the bells and whistles.

All that was straightforward enough; what has set some software developers' hackles rising is AT&T's insistence that software houses developing applications software conform exactly to its specification for the connections between Unix and the application program.

Put simply, anyone developing a "plug" for a Unix-based system has to conform exactly to the specifications for the "socket" set out by AT&T.

All of which should be good news. The curse of modern software is its lack of standards. Any developments which enforce standards and ensure compatibility are surely to be welcomed.

But as Mr Geoffrey Morris, business development manager at ICL for Unix products and chairman of the X/Open group asks: "Is AT&T using its interface specification to help people achieve standardisation or to police the market?"

In other words: is AT&T attempting to control the Unix market by controlling Unix itself?

The question is important because Unix has been seen as the data processing world's chief hope of escaping from the expense and complexity of dealing with a range of manufacturer's proprietary software. Unix standards, the argument goes, should be set by agreement rather than imposed by dictate.

The X/Open group, for example, sees the survival of three separate kinds of operating systems software. At one end of the spectrum, the major manufacturers will continue to offer their own proprietary operating systems for their large systems—IBM's MVS/XA for example, ICL's VME or Burroughs MCP.

At the other end, single users will continue to use MS/DOS or industry variants on their personal computers.

It is the middle ground, where medium scale systems are being installed to service whole departments or entire small businesses, that Unix with its multiuser, multitasking capabilities is expected to make its mark, and where the best chance lies for breaking away from the grip of the manufacturers.

So while X/Open and others with an interest in a standard environment for software development welcome AT&T's initiative in attempting to move the Unix world to Release 3.0 as soon as possible, they are cautious of the implications. If AT&T tries to dictate too firmly the way ahead, it may not be able to carry the software industry with it.

UK leads chase to beat system deficiency

BRITISH companies are in the vanguard of attempts to create software which will rectify one of Unix's most glaring deficiencies—its lack of teleprocessing facilities.

Without such a facility, Unix is only 65 per cent suited to business data processing, say the experts. Teleprocessing, which makes it possible to collect data at one or more separate locations, transmit the data to a central site for processing and distribute the results to points where they are required, is central to modern business computing.

The best known teleprocessing software is IBM's CICS (Customer Information Control System), developed over many years and now the key to thousands of business applications running on IBM mainframes.

IBM customers have invested many thousands of dollars in that application software—they are not likely to be persuaded to use another kind of operating software unless it provides the facilities to run these applications.

Root Computers, a comparatively young software house which boasts Dr Robb Wilmot, former chairman of ICL, as chairman of its international advisory panel, has developed a teleprocessing system for Unix *which looks*, from the point of view of the applications software, as if it were CICS.

In other words, Root has developed a CICS emulator. It uses this emulator, Unitecs, to run the well-known business software MAS, supplied by Hoskyns. Hoskyns is a division of the US Martin Marietta group. Now, according to Root managing director David Saunderson, "the big corporations are beginning to beat a path to our door."

According to Root: "Software previously available for mainframe systems only is being adapted to run under Unix and is therefore available, without loss of functionality, on multi-user microcomputers as well as minis and mainframes. Root claims the cost of such a system can be as little as 10 per cent of the mainframe price.

Aregon International, a UK-based software house best known for its videotex technology has developed a Unix teleprocessing system called X-tra, the only European company to be commissioned to do so by US giant AT & T, the company claims.

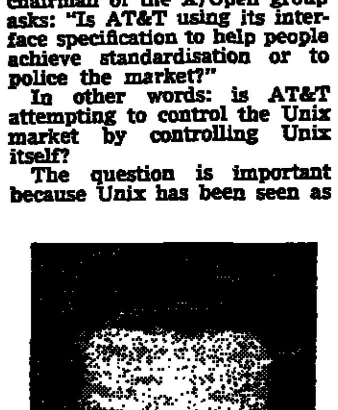
The software took two years to develop, according to Jeremy Wood of Aregon and runs under Unix V Release 3.0

It is a massive program, some 200,000 lines in length, but its cost—£3,500 for eight users, £24,000 for the full-scale package—reflects the need to spread the Unix gospel, Mr Wood says.

A different approach from Root's Unitecs, X-tra is a complete package which provides teleprocessing facilities with great security while running at high speed.

Unitecs and X-tra seem to be genuine breakthroughs in the battle to establish Unix as a true alternative operating system for all sizes of business computer.

Digitus points out that companies like Charles River and Data Logic have worked on Unix's limitaitons for transaction processing (teleprocessing), but: "There is scope for hardware/software combina*tions that provide efficient, low-*cost real time and transaction processing faciilties," it says.



Robb Wilmot, former chairman of ICL, and now a powerful influence at the comparatively young UK software house, Root Computers

Flexible machine manager with big advantage of portability

AS WITH other operating systems, Unix is responsible for managing the internal operations of the computer and with allocating its resources between its users. It can be used both on single microprocessor systems and on giant vector and array processors like the Cray II.

Unix is both "multi-user" and "multi-tasking." This means that it allows a number of users—more than 64 in large scale systems—to use the computer at the same time. Furthermore, it is able to handle more than one task at a time. Users, for example, might all be working with different programs, but each would have the impression the machine was his or hers alone, and that all the resources of the system were dedicated to that program.

It does this by an elaborate system of job scheduling, whereby the available time for processing is shared out between all the users of the system.

As an operating system, Unix has some clear advantages over its mainframe-based competition. Some of these it shares with the Pick system (described in an accompanying article).

Input, the US-based consultancy points out* that it has over 200 special programs (utilities) built in for word processing, editing and the development of applications programs. Most other operating systems require that these utilities are purchased separately.

It can be transferred easily from one computer to another which means that a Unix user can move up to a more powerful machine and continue to use existing software. Because a major part of the investment in a data processing centre is now locked up in the software used, this is a critical point.

It follows from the portability of the system that only one *interface between the user and* the system—the instructions, commands and so on—has to be learned to use Unix on micros, minis or mainframes.

AT&T, furthermore, provides training and support to hardware and software vendors that license Unix.

Among the problems Input identifies are the fact that there are some 25 different commercial versions of Unix in existence and at least as many "clones"—Unix like systems which aim to provide the same facilities.

Historically, Unix was used in development at Bell Labs for a number of years before it was released to universities and colleges.

So there were many opportunities for different variations on the theme to develop before deregulation of the US telecommunications business freed AT&T to look for fresh profitability from products like Unix.

As Input points out: "These versions are often incompatible, causing user confusion and hampering software development."

There are also a number of technical shortcomings. Record and file locking features which prevent multiple revisions of an open file are poor, and expert programmers can break into the most well-protected Unix files. Commercial versions of Unix such as Xenix from Microsoft aim to solve this problem.

Those who support Unix as a genuine alternative to IBM's domination of information processing and as a way forward to comprehensive standards say that the faults and weaknesses in Unix are few compared to its potential to topple the barriers of incompatibility in business computing.

Input does point out, however, user interest is still low: "This does not necessarily mean that Unix will fail, only that as a standard operating system, Unix will probably have to share that label.

* **Major Western European Markets for Information Services 1985-1990, Input, London.**

Pick fills business application niche

THE STEEL wheels fitted to London's Underground railway rolling stock wear dramatically in service. So much so that conventional milometers cannot be used to measure the distance they *have travelled*.

This information is important in calculating maintenance intervals. Until last year, London Regional Transport (LRT) based this calculation on the number of days the train had worked. The logic underlying the calculation was shaky, the methods of collecting the necessary information haphazard.

Last year, after some months of tests, LRT brought in a £74,000 new system involving terminals in the depots linked to a McDonnell Douglas processor in central London. Data and messages about train scheduling are processed by the system and form the basis of the maintenance programme.

One LRT staff member commented: "We have gone from writing messages on the back of fag packets to electronic mail in one step."

The electronic "glue" which holds the LRT system together is a little-known but well regarded multi-user operating system called Pick, after its originator Mr Richard Pick.

It is often held to be the major competitor for Unix in the medium-sized system market, although as a soon-to-be-published report from Digitus* makes clear, the two systems are different in structure and purpose. *Pick, it* argues will continue to be successful in its own niche, but Unix will dominate the mid-range operating systems market.

Unix is very much a general purpose operating system; Pick is especially well suited to business applications where efficient database management is required, as it features integrated database facilities.

According to Digitus: "Pick is especially good at the well-structured applications that make up so much of any company's computing requirements—functions that can be programmed in advance and run day after day throughout the year."

But it is unsuited to scientific and engineering applications, lacking mathematical precision and functions, and it is not best suited to personal computing applications

Pick is significant because it is a well integrated package which offers advantages over Unix in getting systems started quickly without specialised computer staff. Furthermore, in McDonnell Douglas, the largest supplier of Pick systems, it has a formidable champion.

The US aerospace and information technology major accounts for about half of the Pick systems installed worldwide and three-quarters by value of the systems installed in the UK.

McDonnell Douglas's involvement in Pick came about through its acquisition in 1980 of Microdata Corporation, on whose machines Mr Pick first developed his brainchild.

Some 18 companies are now charter members of the Spectrum Manufacturers Association (SMA), a trade association for companies offering Pick-based operating systems. In addition to McDonnell Douglas and Mr Pick's own company Pick Systems (which will prepare a version of Pick to run on a new computer system for $1m), the group includes Fujitsu Microsystems of America, General Automation, Intertechnique of France, Nixdorf Computer of West Germany and Prime Computer Inc.

An entirely new version of Pick, designed to overcome the problems and restrictions found in the current product is being developed by McDonnell Douglas, under the name "Open Architecture."

According to Digitus some 3,000 copies of Pick worth £245m had been sold in the UK to the end of 1985 and the system was showing a compound annual growth rate of over 60 per cent.

It concludes that Pick is going through a phase of expotential growth: "So vibrant a market is bound to attract the bigger companies," it observes.

**The Pick Report, Digitus 01-379 6968, £95, available in three weeks.*

THE ARTS

London galleries/William Packer

Summer in Cork Street

The summer holiday are almost upon us and already the private galleries are looking variously to theme or stock exhibitions to see them through. This is not at all a matter for reproach, of course: how could it be when the old ploy, this year as ever, brings out the usual rich miscellany of beautiful things? The short walk down Cork Street supplies the demonstration with admirable economy of effort on a hot, very hot, afternoon.

It might be the small Matisse in Knoedler, that Kasmin has slipped in among his gallery artists, or perhaps the run of modest late Harpignies landscapes in Stoppenbach and Delestre, that brings one up short with pleasure and surprise. And across the road in the Piccadilly, at the heart of a mixed drawings show that is especially strong in work of the *Secession* and the *Neue Sachlichkeit*, with its Hubbuchs and Schlicters, it is quite as likely to be the magnificent Klimt, the largest of several, of a woman turning away, not quit *profil perdu*.

But why stop there? Along at the Mercury Gallery there is yet another summer selection, of drawings, water colours and a painting or two that range from earlier modern British to the very new, from such as Lovat Fraser and John Minton by way of Elizabeth Blackadder, Houston, Michie, Remfrey and Rimmington to the very young. One of the most impressive works is indeed a large and bold drawing of flowers by one of the gallery's latest recruits, Barbara Walton.

Detail from Taking in the Corn by Adrian Wiszniewski, in the collection of the University of Strathclyde. A smaller version of the same subject is on show at the Nicola Jacobs gallery in Cork Street

But the star of this show is undoubtedly Joan Eardley with drawings inside and wonderfully strong painting, a small portrait study, in the window. Joan Eardley's critical star has been high since at least her death more than 20 years ago, but institutional support has lagged dreadfully behind. It is all the better to hear, therefore, though so scandously late, that at last the Tate has acquired its first Eardley, a major landscape oil painting.

Back down the road again to Browse & Darby where the gallery is full of British and French painting, drawing and sculpture of 1865 to 1965 (until August 2). It is an exquisite show, even allowing for the disappointment of the absence of the promised Degas pastel of a woman brushing her hair, sold in advance of the event.

The compensations are more than adequate: fine Sickert Dieppescapes and other things; a ravishing fragment of flower painting by Vuillard, a tiny blue and white posy in a grey pot; a Matthew Smith still life; a lush and rapid landscape in Provence by Roderic O'Conor; maquettes by Moore and Rodin; Boudin water colour *croquis* of figures on the beach, fugitive as shadows; a Paul Maze garden under snow. And there is William Nicholson, father of Ben and in so many respects the more substantial and particular artist, represented here by two major works: a portrait of a child got up as an Infanta in unforced pastiche of Velasquez; and a small, pale and masterly landscape study across the water meadows of the River Arun.

Across the road, Nicola Jacobs has set herself a narrower theme that yet allows her the widest scope. *Heads* brings together (until August 30) work of all kinds of modern figuration, from Picasso (including one of his decorated pots), Giacometti and Derain, through Blake, Hockney, Frink and Turnbull, to Clemente, Salle, Wiszniewski and Bruce McLean. Of it all, it is the Derain, a small brown and pink painting of a girl's head, of 1928, that I covet most, but it is nonetheless a lively and interesting show overall, whether it is the aggressive Clemente woodcut, McLean's decorative diptych figure composition that fills the end wall, Ken Kiff's redheads or the Wisniewski boy in his red jumper that takes the eye.

Round the corner out of Cork Street but only by a few yards, Anne Berthoud, at 10, Clifford Street, has taken *Figuration* as her even more generous theme. She has confined herself, however, to work on paper, all of British and comparatively recent if not actually new. Some late gouaches by Roger Hilton, who died in 1975, set the period, and there are fine things from Michael Upton—two tiny and enigmatic place setting still lifes; Terry Setch—a somewhat ragged queue or march, perhaps; Robert Mason—four small studies of sprawling, fragmentary nudes; and Michael Porter—small studies again of trees and undergrowth.

But more impressive still are the more straight forward studies of the figure from life, from Frank Auerbach and Euan Uglow, and most especially from Leon Kossoff. And two remarkable charcoal studies of the head by Maggi Hambling, remarkable for being at once so free and so concentrated, are what impressed me most of all.

The last exhibition I shall mention takes us away from Cork Street altogether, across Piccadilly to King Street in St James's, where Fischer Fine Art is showing *The Human Touch* (throughout August). A freelance critic, Mary Rose Beaumont, was invited by the gallery to make a personal selection of work by young *artists from England and Scotland*, and in the even she has fixed upon 10, whom she can show in some depth.

She has addressed herself in particular to work by artists who, as she puts it, "are concerned one way or another with the human condition," whether directly or by suggestion. Such is the way with young artists today that the show as whole is, in consequence, powerfully expressionist both in the content of the work and in its practical handling.

It may not have been quite her intention but a most happy and indeed useful side-effect, given the England-Scotland polarity, proves to be the demonstration she so clearly makes that Scotland by no means enjoys the monopoly of interest and quality in new work of this kind. Indeed the great success of the show has been Ansel Krut, a young painter from South Africa who graduated from the Royal College only last month. He attracted a lot of attention at the Royal Academy last year, and his sell-out now is hardly a surprise.

The Scottish contingent is strong enough for all that, with Joyce Cairns and Philip Braham outstanding. It is also good to see Ian Howard, whose work I already knew, moving away from his established graphic finesse and sophistication into something much more painterly, open and even risky without any sacrifice of identity. He was always eminently talented, with an easy facility, but now his work seems so much more personal and deeply felt. Though the changes may appear to be quite slight, the difference has made it all so much more interesting.

Opera Magazine has new editor

Rodney Milnes is to take over from Harold Rosenthal as editor of Opera Magazine from the beginning of September, when Mr Rosenthal retires after 33 years. Mr Milnes has been deputy editor since 1985.

Il corsaro/Nîmes

Max Loppert

In France the great Roman arena at Nîmes is popularly associated with bull fighting, not with opera in the open air: the larger structure not far away at Orange holds a firmer place on the summer festival circuit. But the current Nîmes civic administration is set on changing all that. Following recent samples of the more familiar arena fare (*Aida* in 1984, *Turandot* in 1985), the production this year of Verdi's *Corsaro* proved to be an inspiration—a challenge boldly taken up and handsomely surmounted.

The second Verdi opera based on Byron (the first was *I due Foscari*) had never before been given in France—and, in spite of the smattering of modern revivals in the usual Verdian haunts (including Camden), and of a strong Philips recording with Carreras, Caballé, and Jessye Norman, it's not all that common elsewhere. Attractively cast, and adapted with decisive intelligence to the exigencies of *al fresco* staging, the Nîmes production resulted in one of the more worthwhile early-Verdi outings of modern times.

Il corsaro of 1848 (it comes in the run-up to *Luisa Miller*, *Stiffelio*, and *Rigoletto*) is one of the more curious samples of lesser-known Verdi—"certainly minor Verdi," Julian Budden's classic study crisply sums up. The proportions feel uncomfortable. Like *Alzira* — that other rarity of the Verdi "galley years" unaffectionately recalled by its composers in later years —it seems too short for its content, and uncomfortably assorted in its balance of action and repose (the heroics tend to be despatched with unfeigned bald haste).

It is, in fact, an intimate piece, with only four main characters placed in mainly confined surroundings. Verdi, at first enthusiastic about the poem, appears to have cooled off later (as he began to face its operatic intractability?)—yet for all the obvious weak passages, *Il corsaro* is a work that arouses an unshakeable devotion. The unusual provenance of two leading sopranos—Gulnara, favourite of the pasha Seid, is the prima donna, the hero's beloved Medora appearing in only two scenes—supplies a quite special lyrical character, at once melancholy and fragrant; Medora's gentle, pliant characterisation singles her out in a short space.

And if the richest airs and duets are experienced as essays in subject-matter later more fully achieved in *Il trovatore* and even *Don Carlos* (a wonderfully plangent prison duet), their concentration of melodic and instrumental details shows the fascinating ways Verdi's command of music-theatre was enlarging.

After any successful early-Verdi encounter one always wants to dispute the categories of "minor" and "major" into which more dispassionate judgment justly assorts the various works. This is, indeed, a touchstone of performance quality; the Nîmes *Corsaro* certainly sent me out of the arena wanting to break a few lances for the work. Considering its intimate character it was, no doubt, a risky choice for arena performance. (But then, open-air opera is always a funny business—this is a subject I shall touch again after next month's visit to Verona.)

Until one got used to it, the orchestral balance was the fraught issue here: wind parts clear (and Verdi's beautifully pointed use of oboe and clarinet newly admirable), strings suddenly fading into the distance — perhaps with the bursts of breeze that blew through the theatre. By and large, the voices sailed across the distance with tone unscathed; as the voices on offer were unusually true and pure for modern Verdi singers, the effect was bathed in quiet radiance. Illness removed the original conductor, Emmanuel Krivine, and substituted his young assistant, Patrick Fournillier. Rapport with the chorus (excellent) and orchestra of the Teatro Liceu, Barcelona, was strong. It was a very sure performance, at once dramatically alert and unhurried — always the best Verdi kind, and essential for large spaces.

Illness also removed the prima donna, Sylvia Sass, at a late stage, leaving the soprano of the alternate cast, the American Sarah Reese, with three consecutive appearances. At the second, she sounded like an important new *verdiana*—lustrous, fleet in ornate passages, full of colour and vitality—so the schooling is evidently secure. The contrast with the more placid Medora of Stefka Evstatieva (whose middle register is particularly warm) helped make the final trio the emotional high point of the evening. In the title role another American, Eduardo Villa (alternating with Giorgio Lamberti), had not the ringing tones associated with the *Fach*, but he was clean and musicianly. Giuseppe Scandola in the baritone part of Seid was more ordinary, but never vulgar or insensitive.

A strikingly simple stepped platform, with a vestigial mast and sail at its centre, provided the acting space. There were no sets, just alternations of coloured cloth and costumes to define the locations; with torch-bearing sentries at the highest apertures, and quick movement (impressively punctual arrival and departure of the chorus) from scene to scene, the dramatic pattern of Jean-Louis Thamin's production and Ricardo Bofill's designs was incisively styled to the linked demands of work and theatre. A thousand French cigarettes glowed in the dark; even the occasional camera flash did less damage than usual.

The Danton Affair/Barbican

Michael Coveney

"The future belongs to the late Danton," declares Robespierre as the sensualists and their leader mount the scaffold. Pam Gems's new play for the Royal Shakespeare Company follows the intention of its source, the restoration of Robespierre as a dramatic hero at the expense of the romantic legend first celebrated by Büchner.

The source is a vast Polish chronicle by Stanislawa Przybyszewska (1901-1935) which was lost until the mid-1960s and has since served as a basis for Wajda's stage and screen versions of the story. Miss Gems believes that her work is in part justified by the fact that Wajda's screen Robespierre resembled General Jaroselski while Danton was snaffled by the battered pin-up Depardieu.

Without knowing the chronicle, I would guess too that Miss Gems piles on the anti-Danton treatment by inventing a sadistic sex life for him with his child bride Louise. But there is much historical corroboration for the accusations of venality, property acquisition and two-timing with the royalists.

But in the end this play is a reduction to a personality struggle, whereas Büchner's dealt in contrasts between ideological pedagogy and poetry. Büchner's Danton is craving death with intemperate gusto, while Miss Gems's goes swaggering defiantly to the end, causing mayhem in the tribunal and baring his neck to the strains of the Marseillaise. Whereas the Polish chronicle has, I understand, 30 pages of a bread queue scene, we are peremptorily informed by Miss Gems that there is unrest in the communes and a shortage of bread.

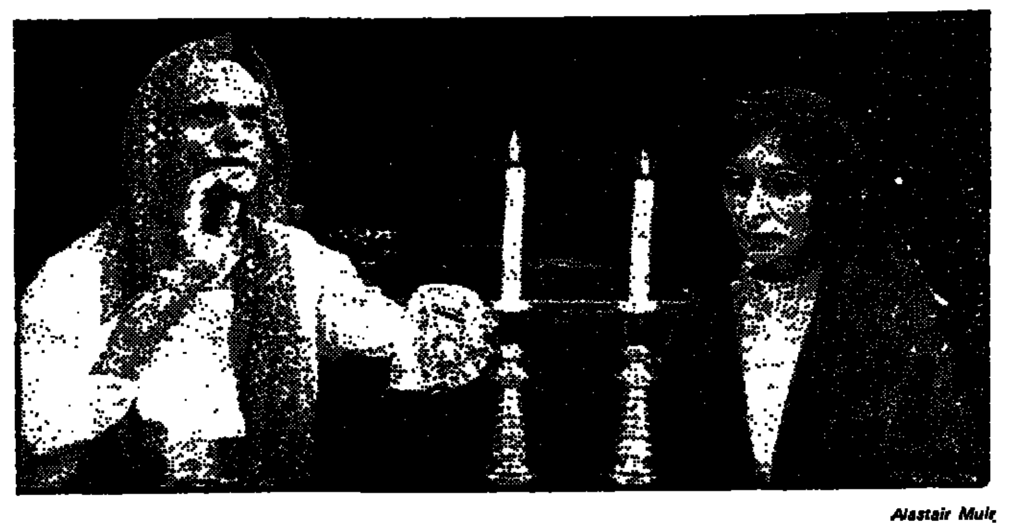
Then it is on with a French Revolution pageant that is neither informative in itself nor urgent in its application. What exactly is the point of doing it at all? The answer comes merely in the histrionic *intensity of the performance*, and for some that may be enough.

The action covers the same period as in Büchner, the spring of 1794, with the Committee of Public Safety baying for Danton's head, at first overruled by Robespierre. Robespierre offers withdrawal of discipline if Danton supports the government; Danton wants the Terror abandoned. But Danton's secret knowledge that the people don't really want freedom is rumbled and costs him any lingering sympathy.

So much more was going on at this time than a squabble between the two heroic lawyers, but you would never know it. France was at war with five countries, the city was undergoing huge reconstruction. Instead, we witness a stand up personality clash, Brian Cox's Danton, first seen lolling on a day bed gently molesting his second wife and offering her the title "Mistress of all France." Mr Cox played Danton in the last National Theatre revival and has successfully graduated from fiery Epicurean to self-deluding libertine, with a Beethovenish scowl and a ringing voice of tempered steel.

The Robespierre of Ian McDiarmid is no less impressive, a slightly stooping spidery figure with a stinging vocal delivery that tightens and squawks under pressure. Mr McDiarmid actually shows how to shout down a meeting or, in the key Convention speech, how to turn a popular mood. The hero of August 10 is derided as a privileged individual and, donning his sinister pebbled spectacles as if assuming a sudden disability, Mr McDiarmid growls out the merits of public virtue and a terrifyingly inflected vision of democracy. Hilton McRae's glowering, curiously inarticulate Saint-Just, perches angelically on his shoulder.

Around them, Ron Daniels' production on an imposing burnished replica by Farrah of the Tuileries Palace interior is a busy progress of undernourished characters waving tricolours and shouting the revolutionary odds while waiting to be despatched into the wings on two large trucks. This is all well organised and done with more flair than conviction.



Alastair Muir

Bruce Myers and Josianne Stoleru in Dybbuk

Dybbuk/Almeida

Michael Coveney

Bruce Myers, the former RSC actor who has been a stalwart of Peter Brook's Paris operation for 15 years, produced this remarkable version of Anski's *The Dybbuk* for the 1980 Avignon Festival. He and Josianne Stoleru return with it to London (until August 2) and provide an evening of dignity, joy and high theatrical skill.

A bad production of this great play ("a dybbuk" is a disembodied turbulent soul) can degenerate into laughable hokum, a sort of Yiddish *Exorcist* with the demonic possession of Leah a symptom of stomach cramps. Myers skirts this danger by relating the story in the context of an old couple's Sabbath night dinner, an apostraphised tale told to reinforce religious belief.

The setting is simple. The dinner table of candles, cholla bread, imaginary soup and wine, stans on a large Persian carpet. The old man tells his wife about a boy in a village near Cracow for whom the Talmud was not enough. Meddling with cabalistic rites, the boy dies: Mr Myers falls backwards off his chair.

In Anski, the boy Channon is from the wrong side of the tracks and an unsuitable husband for Leah, daughter of the rich Sender. Leah is distraught at Channon's death and, at the arranged wedding feast, is possessed by his dybbuk. An old rabbi exorcises the demon, but Leah breaks the circle of salt in the ritual and is reunited with the spirit of Channon who returns to claim her soul.

There is much invocation of the Torah, much incantation of the minion in white shrouds bearing black candles. Mr Myers has no trouble here. What he does sacrifice is the family feud and its resolution and a sense of whirling Brainitz countryside of beggars and peasants at odds with the superstitions of Hassidic jurisdiction. We await a British revival prepared to face such challenges.

The play established the Habimah's reputation (and that of Stanislavsky's protégé Vakhtangov) at its 1922 Moscow premiere; here, it prospers in a minimalist but never stingy interpretation, for Mr Myers weds directness and simplicity of narrative with a generous display of acting virtuosity. After falling down dead as Channon, he rises in one movement, first as the fateful beggar at the dance, then as Leah's grandmother in a silken mantilla ("Don't talk about Cossacks!") accompanying the girl to the cemetery.

The secular Jewishness of the family jostles hilariously against the aberrant consequences of their Orthodoxy, climactically so when Leah's father (Mr Myers has sleeked back his hair and adopted a thunderous mafioso exterior) reads out the congratulatory telegrams and responds to a moral greeting with a music hall cautionary tale about a poor tailor who was struck down in Odessa the minute he spent his exiguous savings on a new suit. ("Why me, God?" "To tell you the truth, Schlomo, I did not recognise you").

Anski's four acts have been compressed into a 90-minute demonstration of the play that is nonetheless deeply moving. Miss Stoleru, growling tabernacle for her dead lover, conveys demure strength, while Mr Myers, supple and emphatic with the hook-nosed profile of an angry buzzard, underlines the valuable truth of acting which attempts everything and hides nothing. This is a brilliant production, not to be missed.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Exhibitions

July 11-17

LONDON

The Tate Gallery: Oskar Kokoschka – a major exhibition to mark the centenary of the Austrian survivor of the great age of expressionism before World War I, who died only in 1980 at the age of 94. He continued to work long into old age, by which time the sometime radical, ex-cavalryman in the Austrian Emperor's army had been long confirmed in the Establishment, a Swiss resident for nearly 30 years and British citizen for nearer 40. This full retrospective confirms that the young painter, fresh from his student Vienna in the mid-1900s, was an artist of vision and true genius. Ends Aug 10.

PARIS

French Masters of the 19th and 20th century: The catalogue of the yearly Robert Schmit exhibition reads like a Who's Who in painting. There are five Boudins, the gallery's speciality, Caillebotte, Cézanne, Van Dongen, Fantin-Latour, Odilon Redon and even Soutine grace the walls with bouquets of flowers while Chagall has a flowering tree in his red-toned sunset. Degas has a study of two dancers and a fiery coloured oil of a nude combing her hair. There is a large composition by Derain from the late 1930s, the Painter And His Family grouping in a surprisingly realistic rendering – his wife with a book, his niece, his sister-in-law, family cat and himself in the centre before an easel with a brush in his hand.

The strong point of the exhibition is a Picasso painted in 1900, a scene of typical Spanish figures in expressive attitudes and striking colours in front of a wine shop. As a counterpoint there is a stylised Woman in a Rocking Chair dated 1956 with the same strong orange, black and blue summing up Picasso's artistic development. Galerie Schmit, 396 Rue Saint Honoré (4260 3636), closed Sun and lunchtime. Ends July 19.

WEST GERMANY

Düsseldorf, Kunstmuseum, Ehrenhof 5: Otto Pankok (1893-1966). The Passion: 60 huge charcoal drawings by the German expressionist covering 1933-34. Ends Oct.

SPAIN

Madrid, References and Identities. An encounter of prestigious international artists welcoming the inauguration of a new art centre in Madrid: Centro Reina Sofia, Santa Isabel 52. Ends Sept.

ITALY

Rome, Palazzi dei Congressi: La Quadriennale: A four-yearly event returns after a 10-year absence. More than 400 contemporary Italian artists in seven sections. Entertaining, stimulating and immensely varied. Ends Aug 15.

NETHERLANDS

Utrecht, Catharijneconvent. The legends and facts surrounding the life and voyages of St Brendan, the 6th-century Irish Odysseus, are examined with the aid of fancifully illuminated manuscripts and early printed books. Ends August 10.

Den Bosch, Noordbrabants Museum: Regional costume and jewellery from the Catholic south of Holland worn during 1500-1940. Ends August 31.

NEW YORK

Museum of the City of New York: Arbit Blatas's paintings, drawings and sculptures of Three Penny Opera covering 12 scenes and 11 characters, were inspired by the historic Theatre de Lys production in 1954 starring Lotte Lenya. Ends Oct 15.

WASHINGTON

National Museum of American Art: 68 Pueblo Indian watercolours from between the world wars recreate the ritual animal dances among other disappearing tribal customs. Ends August 17.

CHICAGO

Art Institute: Famous as a fashion photographer, Richard Avedon undertook a five-year project to capture the American West in the tradition of nineteenth-century photographers such as William Henry Jackson. The results are "a fictional West", Avedon claims, with outsized portraits of Americans ranging from a rattlesnake roundup to county fairs. Ends August 3.

Saleroom/Antony Thorncroft

Relic of Celts at war

A massive bronze armlet, worn by some Celtic warrior in the first century AD in the Arcavrall area of northern Scotland, sold for £75,600 at Christie's yesterday to the London dealer, Zeitz. The armlet is 9 cm high and weighs 782 grams and was unearthed in the early years of this century. The price was comfortably ahead of the high estimate and the armlet was sold by the Sutherland Trust.

The auction of antiquities totalled £403,455, with 16 per cent bought in. All the major items found buyers. A rare Greek wine cooler, decorated with drinking scenes, made around 470 BC, was on target at £54,000. There is an inner egg shaped wall to contain the wine, surrounded by a space for cold water, or melted ice, to keep it cold.

A Roman marble statue of Paris, which has 18th century restorations, sold for £34,560, as against a top estimate of £5,000. It was sold by the Trustees of the Fitzwilliam Settlement. The high price suggests that the buyer agrees with the view of Dr Nicholas Penney of the Ashmolean Museum in Oxford that it was part of a tableau in the Fitzwilliam home of Wentworth Woodhouse, near Rotherham in Yorkshire, with three goddesses, Venus, Juno and Minerva, constructed in the late 18th century by Joseph Nollekens. The idea is that the family had the Greek hero, and commissioned the goddesses to form a representation of the Judgment of Paris.

An Hellenistic gold necklace and ear-rings of around 300 BC, formerly in the collection of the archaeologist Sir Arthur Evans, sold for £28,080, while a large alabaster amphora from Egypt, dated to around 1400 BC, comfortably beat its estimate at £25,920. A New Kingdom turquoise glazed composition fish bowl of the same period more than tripled its estimate at £19,440.

Perhaps the most interesting lot, a Roman silver eating kit of the 5th century AD, was below forecast at £4,536. In Roman times guests brought their own cutlery to dinner and this is the remnants of a typical set. It contains six implements. The knife has gone but the spoon remains, as does a very rare fork. The group is completed by a spike, a pick and spatula. The combination would suit a travelling military man but there is no documentary evidence that this was part of a soldier's kit.

As Royal wedding fever grips the nation, Phillips' sale yesterday of 100 lots of royal commemorative china realised £6,500 with only 1 per cent bought in. The top lot was a royal loving cup, which went to a private buyer for £420. The regal sweethearts commemorated by the cup were George III and Queen Charlotte.

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Anglo-Soviet manoeuvres

THIS WEEK'S visit to Britain by Mr Eduard Shevardnadze, the Soviet Foreign Minister, has markedly improved relations between the two countries. The process has been mutual. Both sides have wanted rapprochement after the chill of recent years but certain of their underlying motives differ.

Britain's interest is to resume playing a full part in east-west dialogue, while the Soviets have the more precise purpose of trying to get London to urge compromise on Washington when they are putting maximum arms control pressure on the Reagan Administration.

Mr Shevardnadze said as much yesterday. After claiming areas of vaguely common ground between the UK and the Soviet Union on various arms control issues, he said: "We understand the UK and the US are close allies, and allies do have a way of having an impact on each other's decisions." The key question is whether the Soviets are really trying to manufacture differences between London and Washington so as to drive a dangerous wedge between them, or simply exploiting known Anglo-American differences of view to get the US to shift policy on arms control in the direction that Moscow, and to some extent London, wants.

Wider overtures

First, it has to be said that, from the British viewpoint, there is no reason not to improve bilateral relations with Moscow out of simple-minded fear of stepping out of diplomatic line with other allies. Britain's relations with the Soviet Union have never in the past 20 years approached the degree of warmth that the US briefly achieved in the early 1970s, and other west European countries have since sustained, with Moscow.

The three Anglo-Soviet accords signed this week symbolise a change. Settlement of pre-1917 financial claims wipes a slate that long needed cleaning. The trade co-operation agreement puts Britain at least on a par with west European rivals in bidding for what business Moscow, with its sharply reduced oil revenues, has to offer over the next five years.

Perhaps the most significant accord is that on preventing incidents at sea. It is precisely the sort of confidence-building measure that east and west are trying to negotiate in other areas at the Stockholm conference. Mr Shevardnadze noted it was the first military agreement Moscow has signed with a western country since the 1979 signing of the Salt 2 accord.

But the relative rapprochement with Britain comes in the context of wider Soviet overtures to west European governments and a concerted Kremlin effort to direct western allied pressure on Washington. The Soviets submitted their latest arms proposals to the US a month ago. They are saying that virtually everything in the arms control field, including the next superpower summit, hinges on a favourable US response.

Strategic concerns

Evidently, the Soviets are hoping for some persuasion from Mrs Thatcher on President Reagan. It is perfectly correct for Mr Shevardnadze to have cited British support for continuance of Salt 2, though UK officials stress compliance by both sides, the US and the Soviet Union. Likewise, he was accurate in citing British support for maintenance of the Anti-Ballistic Missile (ABM) treaty, though UK and Soviet interpretations of what missile defence research is permitted under the ABM pact might not be identical. Both Salt 2 and the ABM treaty are, of course, under heavy fire in Washington. The Soviet Foreign Minister was not far off the mark in saying that he understood from his London talks that Britain wanted practical, concrete results from the next superpower summit, which echoes the Soviet line.

Where Mr Shevardnadze seemed to stray from reality was in deducing that Britain in the widest sense wanted to become more involved in arms control negotiations. This appears to be wishful thinking from the Soviets, who have sought to draw Britain into discussions around the Kremlin table about UK nuclear weapons. The reality is for the time being the UK Government wants to keep its involvement to those non-nuclear negotiations in which it is already engaged—witness the draft compromise on chemical weapons the UK presented this week.

Certainly Mrs Thatcher has reason not to enter at this stage into unequal negotiations over the UK nuclear force, the future of which could be determined anyway by the next UK general election. But equally she should not be shy of letting Washington know of UK strategic concerns, simply because they overlap in some small part with Soviet concerns.

Jury trials in fraud cases

THE British Government, as Mr Douglas Hurd, the Home Secretary, said earlier this week, is considering early legislation based on recommendations of the Roskill Committee on fraud trials. Mr Hurd confirmed that this will include the much overdue revision of the rules of evidence to take account of the emergence of the photocopier and of the international criminal. However, he said nothing about the most controversial recommendation of the committee—the replacement, in cases of complex fraud, of the jury by two expert assessors. These are indications that the Government may decide against this proposal, which would be regrettable.

The Roskill Committee was appointed in November 1983 when a series of City scandals threatened to shake the public's confidence in the insurance and securities industries. Prosecution of some of the fraudsters was not even attempted because it was thought impossible to satisfy the complicated requirements of evidence, some of which had to be obtained from abroad. There were also doubts whether it would be possible to satisfy the requirement of the Court of Appeal that the pleadings and summing up must be concise to enable the jury not only to understand the salient facts but also to remember them.

Fast prosecution

Since the appointment of the Roskill Committee, the importance of safeguarding the confidence of investors has become even greater. The Government is committed to a policy of wider share ownership, while the City is embarking on a radical shake-up of its old rules and practices.

Prevention of fraud by a network of new supervisory institutions in the City will not be effective unless there is the deterrent of fast and effective prosecution. And, as Lord Hailsham, the Lord Chancellor, said, when welcoming the Roskill report in the House of Lords, it is futile "trying to operate an 18th century ramshackle machine drawn by oxen in order to catch modern fraudsters."

Neither Lord Roskill nor the other members of the committee who favoured the replacement of the jury in complex fraud trials can be described as radicals. They were aware that their proposals may shake traditionalists: "The same was probably true," they said, "of the proposal to abolish the medieval practice of trial by combat." Indeed, the jury trial, and not only in complex fraud cases, has still very much of the atmosphere of the trial by combat. The evaluation of witnesses' testimony is one of the most difficult arts even when it is necessary only to separate what the witness saw from the distortions of his vision brought about by fear, wishful thinking or failures of memory. It is made more difficult if the witness, who is probably in a court of law for the first time in his life, is cross-examined by practitioners allowed to confuse him and to put suggestive questions to him.

Discredited system

The professional judge, who himself was a cross-examiner before, can discount the distortions introduced in this way; a juror cannot. The confusion created in the minds of the jury is many times greater if the case concerns a highly technical subject of which the jurors have no everyday experience. The use of a shotgun is not beyond the imagination of most of us but the working of a computer is.

The courts might be unburdened if the numerous definitions of fraud could be simplified and if summary proceedings could be introduced for a certain type of "trip-wire fraud," where the guilt depends on the infringement of specific regulations. Complex cases, however, will continue to require a full trial. It is possible to argue that the expert assessors proposed by Roskill should be more numerous, or that they should be part of the judiciary or, indeed that there should be an expert jury. But it is impossible to insist on the continuation of the present discredited system when the damage it can cause is becoming greater.

THE PLO AND THE ARAB WORLD

Nearing the moment of truth

By Tony Walker in Amman

THERE CAN have been few moments in recent memory when the Arab world has found itself in such disarray. Even in the midst of their humiliation following a crushing defeat by the Israelis in 1967, Arab states maintained a measure of cohesion.

Recently, however, the forces of division have begun to take the upper hand. King Hussein's break with Mr Yasser Arafat is a symptom of a serious malaise in the region resulting from seemingly intractable conflicts, the failure of the peace process and a deepening recession brought on by the collapse of the oil market. Chronic splits within the Palestine Liberation Organisation mirror those of the Arab world itself.

Few observers are brave enough to predict the outcome of the region's many and varied regional conflict, or to foresee a resolution of the destructive trends which characterise the present phase of the crisis.

The recent rupture in Jordanian-PLO relations merely confirms what was evident, that a Middle East peace settlement is as far away as ever. Some time may well pass before another serious effort is made to revive the peace process.

For King Hussein, the failure of his joint attempt with Mr Arafat to chart a course towards resolving the Arab-Israeli conflict has been a bruising experience. The King has said

Arafat behaves like a head of state without a state

it is his duty to keep trying, even without Mr Arafat. But there is little enthusiasm in Jordan for a fresh initiative.

In any case, the Jordanian monarch has his own domestic worries. His country's main sources of revenue are under pressure, as are its political institutions, which face a threat from Jordan's well-educated and restless youthful population.

Mr Arafat has suffered a further serious setback. The PLO is badly splintered and it seems unlikely that present Algerian-sponsored reconciliation efforts will succeed.

The PLO chairman's future course is uncertain. He now finds himself confined to the fringes of the Arab world, an unwelcome guest in three of the so-called "frontline" states facing Israel, estranged from the leaders of Jordan and Syria and with no real prospect of returning to his past strongholds in Lebanon, much of which is a Syrian fief.

His links with Egypt are of limited value since Cairo is constrained in its support for the PLO by its treaty obligations to Israel and its dependence on US aid at a time of economic crisis. Iraq offers an unsatisfactory haven because of its crippling war with Iran, about to enter its seventh year.

Immediate prospects for the Organisation are bleak. Even though it remains a symbol of Palestinian hopes and aspirations, its relevance is questioned by Palestinians themselves. There is deep frustration with Mr Arafat's leadership, which has yielded little that is tangible beyond a seat at the UN.

Although he retains the loyalty of the majority in the Palestinian diaspora and in the occupied territories, this may falter unless he can produce a coherent strategy that offers some prospect of results. The latest insurrection in the PLO, tacitly supported by Jordan and led by a former head of Fatah (Mr Arafat's mainstream group) military intelligence, is a further example of fragmentation among Palestinian factions, although it poses no serious challenge.

The crisis of leadership within the PLO has had highly visible consequences, including the recent rash of indiscriminate terrorism by those associated with Palestinian splinter groups. An almost total absence of internal discipline contributes to the apparent disarray.

Lebanon perhaps offers Mr Arafat some hope of re-establishing his credentials as the effective leader of a revolution, but his attempt to infiltrate fighters back into refugee camps there to reconstruct the battered Fatah infrastructure faces powerful opposition among Lebanese Shiites and from Syria itself.

Since early last year, many Arafat loyalists among about 12,000 PLO fighters forced out of Lebanon after the Israeli invasion of 1982 have returned, giving the PLO chairman a forceful presence once again in the camps. But Amal, the Shi'ite Moslem militia backed by Syria, has sought to counter this trend by attacking PLO strongholds in the refugee townships.

It is perhaps a measure of Mr Arafat's desperation and the shifting alliances within Lebanon that Fatah can now contemplate a tactical link with the Maronite Christians of President Amin Gemayel. Memories of massacres of Palestinians at the Beirut refugee camps of Sabra and Chatila by Christian militiamen avenging the death of Bashir Gemayel, Amin's brother (then president-elect of Lebanon) have been buried in the interests of short-term advantage.

Nevertheless, Mr Arafat is a skilled survivor, and given the region's capacity for sudden and convulsive change, it would be folly to write him off, even if he has been deprived for the time being of his principal weapons: the gun and the olive branch.

The PLO chairman continues to behave like a head of state without a state, visiting non-aligned and Eastern bloc countries where he enjoys fading diplomatic relevance. But as he and his followers would be only too well aware, this is hardly the stuff of which revolutions are made.

The present phase may reflect some similarities with the period preceding the 1973 Arab-Israeli war, when the Arab world was without strong leadership. Nasser had been gone for three years, sharp divisions were apparent between Arab states, and the US seemed uninterested in a Middle East role.

Then came President Sadat's audacious crossing of the Suez canal which dramatically changed circumstances on the ground and led in 1977 to the Egyptian's leader's visit to Jerusalem, the Camp David process and the peace treaty with Israel.

Today, there is no Sadat in prospect and the Reagan administration appears to have lost interest in the Middle East, beyond providing relatively uncritical support for Israel and fulfilling its obligations to moderate states such as Egypt.

US policymakers are understandably reticent about lending their weight to new Middle East peace moves at a time when the Arab world is at war with itself.

Moderate Arab states such as Egypt, Saudi Arabia and Jordan can draw little comfort from present circumstances. Faced with the threat of extremism in the region, and the strains of economic hardship, a stalemate in the peace process cannot be in their interest.

The slump in Gulf oil revenues is having a serious impact on regional economies, causing substantial dislocation of labour and a decline in remittances from expatriates to their home countries. The full force of this trend has yet to be felt, however, particularly in places like Egypt, whose economy has been buoyed by large capital flows coming from the oil-rich Middle East nations which employ its labourers.

Even if oil prices were to rebound to $20 a barrel, it would still take the region some years to recover from the shock of the 1986 collapse.

These economic woes coincide with a period of deep uncertainty within many Arab states.

The Islamic trend, with its anti-western and xenophobic elements, is having a profound impact throughout the Arab world. So, too, though to a lesser degree, is the leftist-oriented demand for greater democratic freedoms. Nowhere is this debate more sharply felt than in Egypt which has been experimenting with a limited form of participatory democracy.

Where this struggle between competing ideas will lead is unclear, but it is contributing to a general unease in Arab states, many of whose rulers have been in power for a long time. It is one of the ironies of a region of such intense conflict and turbulence that there have been relatively few coups in recent years.

A reflection of the fragile state of affairs in the region at present is that a coup d'etat, or the sudden death of a principal figure in one of the key states, could dramatically change the nature of inter-Arab relationships. Now at their lowest ebb for more than three decades, the failure of the Arab League to hold a full-scale summit since September 1982, is a symptom of the region's malaise.

Differences between personalities as much as national rivalries have repeatedly blocked an Arab summit. Egypt's peace treaty with Israel helped fracture the Arab consensus. Subsequent attempts such as those of the peacemaking monarchs Hussein of Jordan, Hassan of Morocco and Fahd of Saudia Arabia have come to little.

Syria, which may, because of its problems in bringing peace to Lebanon and its serious economic difficulties, have passed the zenith of its influence, still retains effective veto power in Arab forums.

The deep personal enmity between Syrian President Hafez al-Assad and the Iraqi leader Saddam Hussein appears an almost insurmountable barrier to reconciliation. The hatred that exists between Assad and Arafat is another impediment to Arab unity.

Syrian support for non-Arab Iran in the Gulf war is another cause of further serious division and is deeply troubling to the moderates who regard the spread of Iranian Shi'ite influence as the most sinister force in the region.

The threatened spread of Iranian influence seems to have emerged as one of the most immediately worrying trends for hereditary rulers such as King Hussein.

Libya, for the moment, appears to have been cowed by the short, sharp shock administered by President Reagan on April 15 and Colonel Gaddafi

Reagan has cowed Libya for the moment

seems to have been rendered less relevant. But Libya's capacity for making mischief has almost certainly not been eradicated.

Egypt watches helplessly from the sidelines as its Arab brothers squabble among themselves. Its leaders claim that only by regaining their natural leadership role in Arab forums can differences be resolved.

Only Israel can draw much comfort from the present circumstances and even there sharp divisions are evident—in some ways a reflection of what is taking place in the Arab world. Given Israel's demographic trends (its Arab population is growing faster than its Jewish one) plus the conflict between secular and ultra-religious Jews, Israel cannot be too sanguine about the respite it has been accorded by the disunity among its neighbours.

Arab scholars, politicians and officials claim that the Arab world, faced with a host of unpleasant realities, is approaching a moment of truth: that an important transitional phase is in process which may yield a new Arab consensus. This appears to be wishful thinking. In the absence of dramatic changes in the main actors or a shift in circumstances on the ground, prospects for an end to internecine squabbling and damaging divisions are very bleak indeed.

Mr Arafat and King Hussein: one division among many

Men and Matters

Carver joins Day's first team

Graham Day, new chairman and chief executive of what we once called BL, but whose name he changed last week to the Rover Group, moves into his new London headquarters in Hobart Place today taking with him a small group of key executives.

Among them is Mike Carver, the director of business strategy, who yesterday was rewarded for his long stint with the group by elevation to the board as an executive director.

Carver, 64, is yet another Ford-trained manager to arrive at the top of the state-owned vehicles group. He will help fill the gap left by the recent resignations of two other former Ford people, David Andrews, the commercial vehicle division boss, and Ray Horrocks, who ran the cars division.

After distinguishing himself in the RAF during the war when he was one of the youngest group captains, and was awarded the Air Force Cross, Carver worked for Ford in the financial side between 1963 and 1969.

He left for British Leyland Motor Corporation that year as assistant controller and had switched to product planning before BLMC came close to bankruptcy and was baled out by the government.

Sir Don Ryder, asked to report on the group's future, in 1975 took Carver with him to the National Enterprise Board where Carver was responsible for British Leyland affairs.

When Sir Michael Edwardes took over as chairman and chief executive of BL in 1978 he plucked Carver out of the NEB again to do the corporate planning job.

One of Carver's early tasks was to help Edwardes negotiate the very first deal between BL and Honda, the Japanese group. This was signed at Christmas 1979 and resulted in the UK company building the Triumph Acclaim car from a Honda design.

Contracts between the Rover Group and Honda have grown much stronger since then—culminating last week with the launch of the jointly-developed executive car, the Rover 800. Some motor industry observers believe the association with the Japanese group was the best strategic move Edwardes made.

"Another one stuck in the loft looking for his old Russian Bonds"

Breath of air

Winemanship as practised at the dinner tables of the upwardly mobile (or perhaps by your butler) faces a challenge.

Dr Eric Voice, a scientist from the north of Scotland says that extracting the cork from a bottle of wine to allow it to "breathe" for an hour or two before drinking is a waste of time.

Voice, a retired nuclear scientist from Thurso, makes his point in Chemistry in Britain. He argues it must take at least three days for the unwanted volatiles to disperse from the neck of an uncorked bottle. "By which time the finer fractions of the bouquet will have vanished too . . ."

Even if displeasing volatiles and residual gases in the wine need dispersing, the very act of pouring, he says, will be "several hundred times as effective as diffusion from a stagnant open bottle."

Science could settle the issue quite simply, proclaims our heretic, by using gas chromatography.

City's dean

The policy barometer at the thriving City University business school in the City of London looks to be set at "no change" following the appointment of Professor Andrew Chambers, aged 43, as dean.

Under his predecessor, Professor Brian Griffiths, who is now head of Mrs Thatcher's policy unit at 10 Downing Street, the school has followed a line of broad support of government policies in its quarterly economic forecasts.

It came as no surprise when Griffiths was asked to support the pm more closely inside Number Ten.

Chambers emerged as the popular "in house" candidate to succeed Griffiths, and he is expected to maintain the school's established line on economic affairs.

Chambers, who joined the business school in 1971 from United Biscuits, is an auditor by training. As administrative sub-dean he has been largely responsible for the building-up of the school to among the largest in the country, with 400 students studying for Master of Business Administration degrees.

In addition to established departments in shipping and international banking the school has just taken on a new role in the City's forthcoming Big Bang. It is to be responsible, in a joint exercise with the Stock Exchange, for all the formal training for recruits to the exchange.

Star quality

Not for Dr Stanley Orman, the new head of Britain's own "star wars" office at the defence ministry, the crumpled jacket and quiet demeanour of the standard civil servant.

Orman, whose job it is to help British companies gain contracts from the Pentagon's $30bn anti-missile project, has a celebrated collection of bow ties, and combines a keen dress sense with a reputation for outspokenness.

Yesterday he made his public debut wearing a monogrammed shirt, spotted bow tie and matching handerchief, and a blue-grey suit with a pink rose in the button hole.

Aged 51 and a chemistry graduate, he worked for several years at the defence ministry's weapons establishment at Aldermaston. He has also spent time in Whitehall master-minding the £2bn Chevaline programme to upgrade Britain's Polaris nuclear warheads.

He has a staff of about 25 to help drum up the business, but says they are away so much in the US that he has not yet had a chance to count up the exact number.

Diamond hard

Two women on holiday fell to chatting together in a cafe.

One said to the other, "Why that must be the largest diamond ring in the world you are wearing."

"Indeed it is" was the reply. "This is the Smith diamond, and it is the largest diamond in the world. But with the Smith diamond comes the Smith curse."

"Oh dear" said the other. "Please tell me, what is the Smith curse?"

The woman looked at her diamond and sighed, "Mr Smith."

Observer

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GUINNESS BOARD CHANGES

Broken glass in the drinks cupboard

By Lionel Barber

MR ERNEST SAUNDERS, the suave and ambitious chief executive of Guinness, is a man used to getting his own way. Late on Monday afternoon, as he took his seat in the Governor's office at the Bank of England, he found himself in an uncomfortably tight corner.

All three financial advisers to Guinness had told Mr Saunders that they were unhappy about his proposed board changes following the successful £2.5bn take-over of Distillers, the international drinks business. In the final resort, Morgan Grenfell, the merchant bank, Cazenove and Wood Mackenzie, joint brokers, were prepared to resign.

But as Mr Robin Leigh-Pemberton, the Governor of the Bank of England, pointed out to Mr Saunders during their brief meeting, there was a great deal more at stake than mere boardroom manoeuvring.

In several official statements, including an offer document sent to Distillers' shareholders on March 3, Mr Saunders had promised to appoint several named independent non-executive directors to a group board to be chaired by Sir Thomas Risk, Governor of the Bank of Scotland. Guinness was now proposing to renege on these promises. It was, in the words of Mr Leigh-Pemberton and in the view of Guinness's advisers, not the conduct expected of public companies in the City of London.

It would be easy to interpret the argument on Monday as a simple headmasterly ticking-off of an unruly schoolboy. But as one observer closely involved in the extraordinary events which took place in the following 24 hours put it: "The last thing that the City needs at the moment is anything which has a bad smell. Rules are rules and if they are broken, then self-regulation is a dead duck."

Mr Saunders, grappling with the task of integrating the sprawling Distillers gin and whisky business into the far smaller Guinness group of brewing, retail and leisure interests, was determined that he should be allowed to hold both posts of group chairman and chief executive. The question on Monday night was whether he would succeed, even at the cost of losing all three financial advisers who had helped him win the battle for Distillers, against a rival £2.6bn offer from Argyll, the equally ambitious UK supermarkets group.

By that Monday night all three advisers were ready to resign, though a decision was not taken by Morgan Grenfell in the absence of its chief executive, Mr Christopher Reeves, who was in Rome.

The following morning, Mr Saunders spoke to both Mr Reeves and to Mr Anthony Forbes, a senior partner at Cazenove. Guinness denies it was put under pressure but, according to one authoritative account, Mr Saunders was presented with an ultimatum: either you agree to a face-saving formula by mid-afternoon or we go.

Under the new agreement, Mr Saunders' proposed scrapping of the joint Guinness-Distillers board and his own election as group chairman will be put to a special shareholders' meeting. And as Mr Saunders was quick enough to explain through his spokesman late on Tuesday night, it was always necessary to convene a meeting since the creation of the post of president (to be assumed by the current Guinness chairman, Lord Iveagh), requires a change in the company's articles of association.

Fast footwork or sheer genius? It is probably too early to judge. The formula was welcomed by the Bank of England but did not prevent Wood Mackenzie from resigning on Tuesday.

More important, perhaps, is the way in which the affair has raised issues about the conduct of ambitious businessmen and regulation in the City.

When Guinness climbed through the ropes to do battle with Argyll in January it was very much a last minute move. Mr Saunders had cast his eye over Distillers in 1985 but stepped back on the grounds that it was too ambitious a target. Instead, Guinness completed a £360m bid for another Scottish whisky company, Arthur Bell.

But when Argyll, headed by Mr James Gulliver, launched its own £1.8bn bid last December, Mr Saunders' much acclaimed acquisition of Bells no longer looked so smart. Had it come under Mr Gulliver's stewardship DCL, with around 35 per cent of the UK Scotch whisky market and 50 per cent of total whisky production in Britain, might have swamped Guinness.

To beat off Argyll, Mr Saunders had to achieve several goals quickly: to convince institutions to back yet another takeover well before he had come to grips with Bell; to recapture the important Scottish lobby, assiduously cultivated by Mr Gulliver, the grocer's son from Argyllshire; and to convince a leaden-footed Distillers board to recommend his £2.3bn offer and to bear the bid costs.

On several counts, the former Nestlé executive succeeded brilliantly. By enlisting Morgan Grenfell, widely seen as the most aggressive merchant bank, he secured the support of a no-holds-barred corporate finance team headed by Mr Roger Seelig with good contacts with City institutions.

Equally, Mr Saunders' charm combined with tactical pre-emptive press leaks won over the Distillers board last January. The same thing seemed to be happening at the weekend when a Sunday newspaper reported Mr Saunders' proposed board changes.

Mr Ernest Saunders, of Guinness, and the supervisory board chairman he almost had, Sir Thomas Risk, Governor of the Bank of Scotland

The Scottish card was astutely played too, or so it seemed at the time. Mr Saunders sought out Mr Charles Fraser, the well-connected chairman of Morgan Grenfell (Scotland) who set to work on his behalf inside the Scottish financial establishment. It was Mr Fraser, on the instructions of Mr Saunders, who invited Sir Thomas Risk to join him on a new group board comprised of five Guinness directors, five DCL directors, with Sir Thomas in the chair. To smooth any rough nationalist edges, Mr Saunders pledged that the headquarters of the new group holding company controlling Guinness and Distillers would be in Edinburgh.

These promises soon appeared unworkable to Mr Saunders. Given the mammoth task of revitalising Distillers and merging the two companies' operations, he wanted absolute control. Very soon, the Distillers directors and the proposed independent non-executive directors (who include Sir Nigel Broackes, chairman of Trafalgar House, the industrial conglomerate) found themselves frozen out of decision-making.

According to one account, meetings arranged by Guinness with the Distillers board were called at short notice, in one case one hour. One topic on the agenda was the not insignificant matter of approving a special £200m dividend to be paid by Distillers to Guinness as part of its scheme, subsequently approved, to repurchase shares following the takeover.

The picture painted by those opposed to Mr Saunders is of a small faction within the Guinness board, including Mr Olivier Roux, the management consultant who joined from Bain & Co, and Mr Tom Ward, the US lawyer, who like Mr Roux, was appointed to the Guinness board two years ago, riding roughshod over the Distillers directors and the independent non-executives. Mr Saunders is presented as succumbing to vaulting ambition in his desire to stamp his authority on the company.

In this context, it is easy to see how Mr Saunders chose to break his earlier promises and assume the more than titular posts of executive chairman and chief executive. But it is also possible to argue that the much touted merger of equals was always a straight takeover and that it was imperative to streamline top management and integrate the groups in the interests of the new group shareholders. Indeed Guinness say that a substantial number of institutions voiced concern about the future board structure some weeks ago.

What has still to be explained in detail is why Mr Saunders believes that the board structure sold to Distillers and Guinness shareholders six months ago no longer holds good. Though Mr Saunders apparently regards it as cumbersome, some, including Kleinwort Benson, merchant bank advisers to Distillers, thought it a fair balance.

Both Kleinwort and Wood Mackenzie were also strongly in favour of a non-executive chairman of the new group, which is capitalised at £8bn. Sir Thomas is highly respected and would have been a useful check on Mr Saunders. As one experienced corporate finance director of a UK merchant bank said: "Combining the posts of chairman and chief executive of a big company is not healthy and is not in the long-term interests of shareholders."

The dilemma for the Bank of England and Guinness's advisers was how to persuade Mr Saunders to climb down without humiliating him so badly that he, the driving force behind Guinness's revival since 1981, would resign.

This appears to have been achieved, though only at a cost to Mr Saunders' standing in the City. Even if he wins the support of shareholders for his appointment, some doubts will remain after Guinness's willingness to discard promises made during the takeover battle.

For the Bank of England's part, standards of conduct have been stated—very publicly—and a marker set for the future. But it will be no comfort to those wishing to preserve self-regulation in the City and to avoid an excessively legalistic US-style regulatory framework that Mr Saunders took top legal advice before announcing the proposed board changes last Monday. Presumably he thought Guinness was in the clear.

Lombard

A cartel that works

By Stefan Wagstyl

THE YOUNG Cecil Rhodes had the right idea. When he arrived at Kimberley, later the world's biggest diamond mine, he did not join the hordes of prospectors scrambling around in the mud. Instead, he invested everything in the only steam-powered pump in South Africa, dragged it to the edge of the Big Hole and charged as much as he could for pumping water out of the bottom. Soon the miners ran out of cash and started paying Rhodes with shares in their mines. It was the beginning of one of the most successful monopolies the world has seen.

How has the company which was founded on Rhodes's fortune kept its cartel intact for so long?

De Beers makes no bones about running a cartel, even flaunting its success in the faces of other producers—Opec and the International Tin Council—whose efforts to control a market have recently collapsed. In his 1985 annual report, Mr Julian Ogilvie Thompson, the chairman, says De Beers's achievement "was particularly gratifying in view of the problems experienced in other commodity stabilisation schemes."

The heart of De Beers lies in its southern African mines which last year produced more than 50 per cent of the world's diamonds by value. From this base, De Beers has extended its grip over other producers by cajoling them to sell their output to its marketing subsidiary, the Central Selling Organisation, which handles more than 80 per cent of the world's rough (uncut) diamonds. Moreover, when sales fall as they did in the early 1980s, De Beers has the financial muscle and the nerve to ride out the storm.

But De Beers's single-minded and sometimes ruthless pursuit of monopoly would have broken the company long ago without its extraordinary success in promoting diamonds worldwide. Even in Europe, the tradition of diamond engagement rings was by no means universal. In Japan it was virtually unknown before the Second World War. Yet De Beers has created huge demand among young couples in almost every developed country.

The result of these efforts is that although there are far more diamonds mined than rubies, emeralds or sapphires they cost as much or more to buy. Millions of purchasers are persuaded that diamonds are rare but they are not. Some buyers even believe that the stones are a good investment—if only because De Beers never cuts its prices—and discover that they can rarely recover their money when they decide to sell.

In the industrial market, which accounts for 80 per cent of production by volume but only 20 per cent by value, the cartel's influence is less strong—mainly because diamonds compete against other materials.

De Beers is obviously the main beneficiary of the monopoly, as are its shareholders, including the largest, Anglo American Corporation, the South African mining house. Other producers, among them a number of black African countries bitterly opposed to South Africa, earn valuable foreign exchange. Diamond dealers, cutters and retailers may complain that De Beers gets the lion's share of the profits in the trade but nevertheless they benefit from assured supplies and from a carefully-cultivated market.

The sufferers are the world's lovers who have to pay more than they otherwise would for tokens of their undying affection. If a number of producers competed for the market, prices would almost certainly be lower.

But is much harm done? The starry-eyed who did not buy diamonds would have more to spend on roses and candle-lit dinners. The hard-headed would have money for a deposit on the house or the three-piece suite. If De Beers's monopoly really hurt the customers, anti-trust legislators would have been far more assiduous in attacking the cartel. They have certainly been discouraged by the complexity and secrecy with which the company surrounds its activities. But perhaps they too believe that the world would be a duller place without all those millions of twinkling little stones.

Letters to the Editor

European space effort

From Mr M. Schwartz

Sir,—The section on the European space effort in your survey "European high technology" (June 30) paints a much brighter picture of Europe's space programme than would a more thoughtful and objective analysis.

In the 1960s, the US developed and built a series of expendable launch vehicles including Atlas, Saturn and Apollo, which it used in the 1960s and 1970s to open the frontiers of space. In the late 1970s, the Europeans built their own expendable launch vehicle, Ariane, functionally equivalent to the early US expendable launch vehicles. At the same time, the US developed and built a small fleet of reusable space shuttles, which it used extensively, but with little vision or boldness, in the early 1980s.

While the shuttle has moved into and out of orbit, the Europeans have proposed building Hermes, a "mini-shuttle," which, again, is functionally equivalent, though the Europeans claim otherwise, to the earlier US model. Now, as the US develops a thoroughly unimaginative space station, to be placed in orbit in 1994, Europe is considering its own "mini space station" for the early years of the next century.

Is this the path that Europe has defined for itself—to stay one step behind the US, no matter how boring and pedestrian the US space programme becomes? Has Europe renounced all boldness and vision? How can Europe expect to produce real leaders if it cannot even demonstrate any understanding of leadership? There have to be some Europeans out there with the right stuff.

Michael J. Schwartz,
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75003 Paris.*

Technologies of broadcasting

From Mr T. Edwards.

Sir,—I read with considerable interest the Lombard column by Guy de Jonquieres on the technologies of broadcasting (July 10).

I find myself in general agreement with many of the points made, especially the receive-only nature of satellite TV broadcasting and the future likelihood of diversity in technologies and services.

Where I seriously disagree concerns the impact of advances in optical fibres as such. Current single-mode fibres offer, for the first time ever with commercially-installed transmission media, a cable network having an enormous and currently unusable potential capacity. Full use of this capacity will have to wait until the 1990s or later by which time the electro-optics technology should have caught up.

Bearing in mind the always relatively high installation costs associated with any cabling the sensible strategy would seem to be to instal single-mode cables on all except the final subscriber (domestic) routes as soon as possible. Following this advantage can be taken of new developments in electro-optics technology as these become available in the market place—in a timely manner and on a plug-in basis.

One should not re-cable every decade or so but it makes sense to instal up-to-date equipment on existing cable networks that were installed with the future very much in mind.

T. C. Edwards,
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Shrivenham, Swindon, Wilts.*

Reality and the image

From Mr P. Hague

Sir,—Image is a much misunderstood subject. Richard Lambert who writes so intelligently on financial subjects clearly failed to recognise the true importance of image in his column (July 11). He catalogued a number of name and image changes which have recently been made by organisations in trouble. He concluded by referring to a survey in which large British companies had rated image as a major issue of growing importance; more important indeed than "financial performance" and "cash flow." Then as a neat finale he slipped in the term public relations as a euphemism for image and warned us that when important institutions put public relations before performance, it is time to watch out.

Mr Lambert is wrong. Image is not public relations puffery—it is the measure of success of almost any company. Image is a view or feeling that we have of a company. But we can have an image of a company or its products, or its service, or its prices—indeed we can have an image of every aspect of its operation. The way customers and potential customers think about a product or company will determine whether they buy from it. A company, therefore, achieves success by taking immense care of its image. Jaguar, for example, in the 1970s, had an image as a quality car (the wood veneer and leather saw to that) but its problems lay with perceptions of poor reliability. And reliability is a vital ingredient when it comes to selling cars. When John Egan set about correcting this image of poor reliability, he did not embark on an advertising campaign to tell his public not to worry. Rather he did what mattered and hammered his suppliers to ensure they delivered parts that worked. He restored Jaguar's image through quality control not public relations. And by restoring Jaguar's image he turned in better profits and better cash flows.

Image is the pulse with which companies can measure their health. A poor image shows where medicine or surgery is needed. Very often it points to fundamental weaknesses in a product or an organisation. To suggest that image is simply manipulated by a change of name, a new logo or a beefed up advertising campaign shows no understanding of this complex and vital subject. Richard Lambert should not be derisory about the real concern of managers in their companies' images, he should instead direct his criticisms to those who try to present sick companies as being fit and well.

Paul N. Hague,
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High Lane,
Stockport, Cheshire.*

Commonwealth matters

From Cdr Innes Hamilton

Sir,—The FT was right to publish its leader on the Commonwealth (July 14) but one wonders, in the light of the restrained language, whether its writer has actually read the findings of the Commonwealth eminent persons group. The same applies to those treating the pros and cons regarding sanctions against South Africa as some sort of academic exercise or who regard as a dominant factor such inconvenience, financial loss, or unemployment as may result in the states which take meaningful action.

When we stood alone against a similar (or maybe even a lesser) evil, no price was too high. The present regime in South Africa is every bit as evil, calculated, and barbaric as Hitler's ever was: its effects as unbelievably monstrous, and just as pitiful. I urge everyone to read the findings before forming an opinion.

The Commonwealth — to its everlasting credit—gave a lead to the world in sending its eminent persons to document the truth. It will be sad if Britain is seen now not to care enough about the findings to make whatever sacrifices are necessary to bring about meaningful and speedy change.

Let us be mindful that the front line states stand to suffer immeasurably more; landlocked Zimbabwe, with its tremendous progress since independence, perhaps most of all. But of course these countries are led by men of courage who themselves have suffered.

Our friends in Southern Africa should know that millions in Britain are prepared to make whatever sacrifices are necessary, not only to impose economic sanctions but totally to cut off and ostracise South Africa if need be, until civilised treatment of the people and equal opportunity prevail. If the world was seen to mean business, the process might not be prolonged and — above all — the taking up of arms can be avoided.

Our Prime Minister and a few right-wing MPs are totally out of step with Commonwealth opinion. Here at home, let us hope that they will change their minds.

(Cdr) Innes Hamilton.
*Fairway Lodge, South Drive,
Virginia Water, Surrey.*

European trade marks office

From the Managing Director, Data Logic

Sir,—In his column of July 4, William Cochrane mentions efforts of local communities to locate the European Community Trade Marks Office in greater London.

As the Government wavers between four proposed London sites, our European colleagues are each backing one national site and leaping ahead in the race to secure the ECTMO. The ECTMO which caters to what Mr Cochrane referred to as the "new business class," could come to Britain most easily if the Government were to back only one site.

Of the four proposed development sites only Harrow can offer all the advantages for Mr Cochrane's "intelligent developers" who emphasise surrounding residential property, who know the "importance of recreation . . . environment . . . and . . . schools." There are also the obvious financial savings and ease-of-access benefits arising from close proximity to Heathrow for this international centre.

What is most important, however, is that the Government makes its decision and single-mindedly pursues this prestigious office development, which could be the first such European Community office in the United Kingdom.

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Carla Rapoport looks at Japan's rising living costs despite cheaper imports

Yen windfall fails to satisfy consumers

THE COST of importing goods into Japan may be falling sharply but Hershey chocolate bars are not getting any cheaper. Despite a year-to-year drop in wholesale prices of 10.1 per cent, consumer prices continue to rise.

The yen's athletic rise against foreign currencies in the past year has produced the fall in the wholesale prices, which the Bank of Japan said dropped 0.7 per cent in June, the 16th continuous monthly decline.

The wholesale price index for Japan is now 90.1 compared with 100 in 1980.

The picture for consumer prices is very different, however. In the year ended last March, they rose by 1.9 per cent.

Daiwa Securities is forecasting a 0.6 per cent rise in the consumer price index this fiscal year against an 8.2 per cent drop in wholesale prices.

The two indices, of course, are not strictly comparable. The price index includes the cost of services which are not reflected in the wholesale index. Even so, the price of imported goods at retail level is not declining.

The average pump price of petrol in Japan has fallen by just 6 per cent in the last year in spite of the double advantage of a higher yen and cheaper oil prices.

Of consumer goods, only imported spirits are showing any consistent price declines, and then only when they are in special promotional sales.

Take the Hershey chocolate bar as an example. A recent survey in the Yomiuri Shimbun, one of Japan's leading newspapers, found one Tokyo department store heavily promoting Hershey bars, made in the US, at Y250 (£1.05), 10 per cent cheaper than domestic chocolate.

However, just down the road, a supermarket was selling the same bar for Y335. A department store in a third Tokyo district was selling the chocolate bar at an "import fair" for Y350.

"There should be a gap between the wholesale and consumer price indices but this gap seems to be much too big," said Mr Akio Kohno, chief economist of Daiwa Securities, who believes much is going into the pockets of somebody other than consumers.

There are a variety of reasons for the gap, but two of the important ones are Japan's complicated distribution system and its protectionist policy on agricultural imports.

Further, most imported consumer goods are high-price products handled by sole agents who enjoy a monopoly supplier position. Their clientele are by and large an elite group who do not shop according to price.

Mr Yasuhiro Nakasone

"The person who buys a Giorgio Armani suit in our store doesn't care what the price is," said an executive with Seibu Department stores in Tokyo. The price of Godiva chocolate at Seibu, for example, is still Y120 a piece despite the yen's rise against the Swiss franc.

As a result, a lot of the benefit of the higher yen, in the case of agricultural products, is staying in the distribution chain or government agencies. As for raw materials, such as copper and petroleum, much of the benefit is accruing to the refiners.

Marubeni, one of Japan's largest trading houses, said smelters, for example, were trying to hold on to the profits created by the higher yen to make up for the previous two decades of slim, if any, profit margins.

Nippon Oil, one of Japan's big oil refiners, said petrol prices had not dropped partly because of high-price inventories but also because of previous losses sustained by the refiners.

"We are breaking even now," said a Nippon Oil executive yesterday, "but most of the others are suffering a loss."

On agriculture, government agencies handle all the purchases of certain products, such as beef and wheat. These products are bought abroad and sold in Japan at higher prices than domestic products.

This issue has become a controversial one in Japan in recent weeks, and has been the focus of a number of television programmes.

As a result, the Government recently agreed to lower the price of beef, but by only 10 per cent.

The continued high price of important goods is a source of embarrassment to Prime Minister Yasuhiro Nakasone's Government, which has an avowed policy of encouraging imports.

A senior official of the Ministry for International Trade and Industry (Miti) said that on average, it took seven months for the yen's appreciation to be reflected at the retail level.

"We are encouraging (retailers) to reduce their prices in the private sector but we have no method of changing their policy. This is a free market economy and our role is very limited," said Mr M. Hinabayashi of Miti.

Another factor is the relative weakness of Japan's consumer movement. In general, consumer associations do not take an aggressive stance against the Government or big retailers as they might in the West.

In the case of petrol and electricity prices, most consumers believe that prices will decline and that in the meantime they should be patient. And for the importers, wholesalers and retailers, the high yen will be money in the bank.

Moscow insists on summit conditions

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT, IN LONDON

MR EDUARD SHEVARDNADZE, the Soviet Foreign Minister, yesterday emphasised that the Soviet Union continued to insist on significant progress on arms control as an essential condition for agreeing to another US-Soviet summit.

At the end of a two-day official visit to Britain which has led to a noticeable thaw in Anglo-Soviet relations, Mr Shevardnadze carefully avoided committing his government to a date for a summit with the US. However, he did say that serious preparations at a press conference were under way.

"It will take some time to review these preparations," the Soviet Foreign Minister said, confirming that such a review would be undertaken at foreign minister level. "We have an interest in having a productive summit. An empty summit we cannot accept."

Mr Shevardnadze indicated that the Soviet Union attached great importance, in this respect, not only to the ongoing negotiations on nuclear arms control and conventional disarmament, but to forthcoming talks with the US on nuclear testing and the observation of the Salt 2 strategic arms limitation treaty.

The Soviet Foreign Minister confirmed that the US and the Soviet Union had agreed to discuss nuclear test problems in Geneva, but it is clear that the two sides have very different ideas about what the talks should cover.

The Soviet Union wants a complete ban on nuclear tests, but US officials said that they saw the forthcoming talks as having a much more limited brief, focusing on the verification of underground tests.

What is clear, however, is that the talks referred to by Mr Shevardnadze do not involve a resumption of the trilateral US-Soviet-British negotiations on a comprehensive test ban treaty, which the Americans walked out of in 1980.

The Soviet Foreign Minister went out of his way to persuade Britain to take a more active part in the nuclear arms negotiations, currently limited to the US and the Soviet Union. He said that the Soviet Union regarded Britain as "a great power" with a substantial arsenal of nuclear weapons and large armed forces on the European continent.

In the absence of a dialogue with such "a major equal partner," it was difficult to imagine that an agreement on radical nuclear arms reductions could be reached, Mr Shevardnadze said.

Referring to the latest Soviet arms proposals, he said that, in a context in which Soviet and US medium-range missiles in Europe would be eliminated, it was "paramount" that there should be no quantitative increase in British and French nuclear weapons. Moscow did not, however, object to the "modernisation" of British and French nuclear deterrents.

The British Government has shown no inclination to bite on this particular Soviet carrot. In common with France, Britain has stuck adamantly to its position that any reduction of British strategic nuclear weapons must be preceded by an agreement on substantial nuclear arms cuts by the US and the Soviet Union.

Officials have also made it plain that the modernisation of the British nuclear deterrent force, by the fitting of new Trident missiles to nuclear submarines, is excluded by the Soviet proposals, which prohibit the transfer of nuclear weapons technology from the US to its allies.

Rough road forecast for European car makers

By Kenneth Gooding in London

WESTERN EUROPE has become the main battleground in the struggle between the Japanese and the US multinationals, Ford and General Motors, for supremacy in the world car markets, according to the latest International Automotive Review.

It suggests worldwide car sales will be split increasingly between these two groups and that "only the strongest European-owned manufacturers offering a full range of cars will remain as important in the global scene as they are today."

However, no significant car manufacturer will leave the European marketplace, the IAR predicts, so competition must continue to intensify.

In particular, Ford and GM "can be expected to continue to intensify pressure on other manufacturers, both by their competitive actions and inter-corporate struggle for individual supremacy. In the longer term, the adverse impact on profitability can be expected to slow this action, but this will not happen just yet."

The Japanese show every sign of increasing their total European market share and, as a result, European governmental protectionism seems set to increase.

Meanwhile, the West European manufacturers will be able to improve their shares of their own market only at the expense of profitability.

There is scope in Western Europe for more co-operation and further regrouping, the Review suggests.

It also points out that Austin Rover, the subsidiary of Britain's state-owned Rover Group (formerly British Leyland) is somewhat out of place in the West European industry.

"The very juxtaposition of the names Austin and Rover reflects the problems of market positioning for the group," the Review says. "Austin competes in the high volume market. Rover once represented very high-quality cars equal to Mercedes' larger models in reputation until the early 1970s."

The Review suggests there may still be a good future for Austin Rover, "but a sustained period of corporate stability, continuous investment in its model programme and better continental European distribution will be essential."

International Automotive Review, quarterly from ARMC, Lynton House, 7 Tavistock Square, London WC1H 9QJ.

S.African emergency laws upheld by court

BY BERNARD SIMON IN JOHANNESBURG

THE SOUTH African Supreme Court yesterday ordered the government to give detainees imprisoned under the state of emergency access to their lawyers but turned down a black trade union's request to invalidate the emergency regulations.

Three judges of the Natal division of the Supreme Court in Durban said the ban on detainees' access to lawyers was improper. They also declared void all or part of five of six definitions of a "subversive statement" forbidden under the decree issued when the state of emergency was declared on June 12.

The legal challenge to the emergency was brought by the Metal and Allied Workers' Union which argued that the regulations were invalid because they had not been tabled in parliament within 14 days of proclamation. However, the court accepted a government argument that parliament had gone into recess before the 14-day period had expired and that the regulations could be presented when it reconvened next month.

The judgment thus leaves most of the emergency regulations intact, including the government's power to detain people without charge, to shut down publications, order curfews and seal off areas of unrest.

The judges said the only definition of a subversive statement precise enough to be considered lawful was one barring incitement to participate in unlawful strikes, boycotts, civil disobedience or to oppose military service.

The definitions struck down included those aiming to prohibit statements aggravating "feelings of hostility in the public," encouraging or promoting "disinvestment" or sanctions and "weakening or undermining the confidence of the public" in the state of emergency.

One of the judges said during earlier legal argument that the vagueness of the regulations effectively curtailed "just about any political description or political report on South Africa."

Pressure on Reagan as Howe warns of sanctions

Continued from Page 1

his policy of winning concessions from Pretoria through quiet diplomacy rather than confrontation. Congressional supporters of sanctions believe that he could well veto tough sanctions legislation.

The toughest option before the Senate is similar to a bill already passed by the Democrat-controlled House of Representatives, which would impose a virtually total trade embargo and force US companies to withdraw their investments from South Africa after six months.

A less stringent version would end all new US investment, ban all commercial bank loans, withdraw US landing rights for South African Airways and prohibit imports of South African coal, steel and uranium. A third bill would end all new bank loans and give the force of law to Mr Reagan's sanctions of last autumn, which included a ban on imports of krugerrands and restrictions on US computer and nuclear technology exports.

Launching the Senate campaign for sanctions on Tuesday, Democratic Senator Edward Kennedy and Republican Senator Lowell Weicker said that they were determined to bring legislation to a floor vote in the next three weeks.

Yesterday, however, Mr Robert Dole, the Republican majority leader, said that the crowded calendar meant that he would probably have to postpone a vote until after Congress returns from its August recess on September 8.

In London yesterday, Sir Geoffrey said that the second stage of his diplomatic mission to South Africa, during which he will have two meetings with President P. W. Botha, represented a further effort to establish conditions for constructive dialogue aimed at dismantling apartheid.

But Sir Geoffrey emphasised that the dialogue could not take place as long as black leaders were detained and their organisations were outlawed. He would be urging upon Pretoria the need to act "rapidly and decisively" in paving the way for constructive talks, by releasing Mr Nelson Mandela and removing the ban on the African National Congress.

Wong Sulong writes from Kuala Lumpur: Malaysia yesterday became the sixth country, and the first from outside Africa, to announce that it would boycott the Commonwealth Games which are due to start next week in Edinburgh.

Loss at BankAmerica

Continued from Page 1

the sometimes volatile road to recovery."

However, many Wall Street analysts said that the surprise losses had seriously damaged BankAmerica's credibility in the investment community and increased the likelihood of a management reshuffle at the top of the troubled banking group.

Mr Armacost took over as chief executive in April 1981 and inherited a bank which had been growing quickly and had allowed its credit standards to slip. Since then, earnings have been falling and last year the group reported a $337m loss.

Several senior executives who were hired to help the group along the road to recovery have since quit.

The group had net loan losses of $388m in the second quarter and its non-performing loans, including loans more than 90 days overdue and foreclosed real estate, remain stubbornly close to the $5bn mark.

Earlier this year it passed its dividend completely and the group's plight attracted the attention of corporate predators. Mr Sandy Weill, a former president of American Express, launched an abortive attempt to replace Mr Armacost as chief executive in March.

World Weather

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Readings at mid-day yesterday. C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Paris warned by EEC

Continued from Page 1

In measured and firm terms he said that the President's fears over French assets falling into foreign hands were "completely without foundation." He said that under the proposed law the government could prevent all foreign shareholdings in a privatised concern if the national interest dictated.

The amended text of the decree that will now be transformed into a law provides for a 15 per cent ceiling on foreign shareholdings with the possibility of reducing this if the government judges that national interests are at stake.

It also obliges the government to hold a "golden share" for an indefinite period in all privatised groups

Insider dealing action

Continued from Page 1

gations into stock exchange infringements often terminate in a dead end as a result of bank secrecy laws in countries as diverse as Luxembourg, Switzerland, the Bahamas or the Cayman Islands.

Mr Shad, however, welcomed the agreement of the Berne Government to make insider trading in Switzerland a criminal offence. He said a recent agreement with the Securities Bureau in Japan on co-operation on a case-by-case basis, as well as a treaty between the Cayman Islands and the US earlier this month on prosecuting securities crimes, showed how international law could be enforced more effectively.

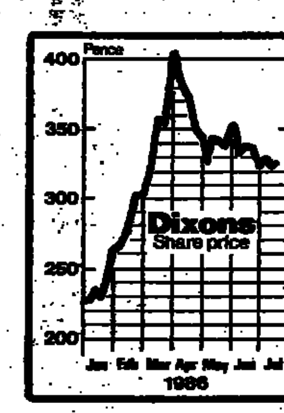
Among the countries with which the SEC is actively negotiating collaboration agreements, representatives from Britain and France yesterday both backed calls for more international links between regulatory authorities.

Sir Nicholas Goodison, chairman of the London Stock Exchange, said securities market authorities had lagged behind banking supervisors in co-operating to police international markets.

With the increased worldwide convergence of different parts of financial markets, Sir Nicholas also said close co-operation between banking and securities supervisory authorities was "increasingly compelling." He added: "I hope this happens before it is provoked by some financial calamity rather than in reaction to it."

THE LEX COLUMN

Life after Woolworth



Dixons has produced the sort of full-year figures to bring tears to the eyes of any fund manager who turned down its bid for Woolworth. The question of Dixons' accounting policies may not be conclusively settled for the sceptics, but when sales are rising 55 per cent, it diminishes as an issue; and since Dixons must be allowed some gross margin improvement both at its own retail chain and Currys, another doubling of pre-tax profits (to £78.1m) is as plausible as it is spectacular. There is no reason to disbelieve Dixons' injured insistence that £2.4m is the sum of the profit on disposal of surplus Currys stores or that the unmatured hire-purchase profit, inherited from Currys, was written off against the acquisition goodwill.

The simple tale is the most convincing. Dixons has managed to increase the volume through the chains by between 15 per cent and 20 per cent, has held its costs and pushed up margins – by, say, a point at the gross level – through the introduction of own-label brown goods at Currys and the rockbottom purchase of undemanding computers at Dixons. That sort of deal may not come Dixons way again but there seems no reason why it cannot work magic with own-label white goods at Currys: for such an important household object, the humble stove has suffered too long. But the establishment of a separate profit centre for financial services merely recognises that more will have to be squeezed out of the customer base.

As it is, Dixons intends to add some 18 per cent more selling space (admittedly some of it for the low-yielding Power City business). If there will always be doubts about what Dixons actually would have done with 7m Woolworth feet, it is keeping its spirits up by advertising for 2m. This year, it will be a great surprise if Dixons cannot make £100m before tax, which looks a routine rate of growth only in terms of Dixons' past progress. The multiple of 18 times 1987 earnings, at yesterday's price of 326p, up 4p, accords a premium for the expected growth relative to the market but takes a rather gloomy view of the outlook for durable goods.

BankAmerica

Whenever BankAmerica seems to have turned a corner the next quarterly figures come along to show that it is by no means out of the maze. Yesterday's $640m second quarter net loss was all too familiar a tale. But while BankAmerica was not alone in having problems in the past, now other US banks are able to turn in quite respectable income gains, including BankAmerica's fellow Californians. That must remove any lingering doubts that it was not largely to blame for its difficulties, and it looks as if management has not been strenuous enough in tackling them.

BankAmerica is not the regulators' only concern, but it is by far the biggest. So far the financial markets are not taking fright at any consequent strain on the banking system. But getting rid of BankAmerica the easy way – by a takeover – might drag the buyer down too.

US insurance

Travelers' acquisition of Dillon Read adds a little more weight to the theory that the US composite insurers are not going to put money raised from shareholders straight into another suicidal dash for insurance market share. But the deal looks puny set against the nearly $5bn raised so far this year by the sector, and will take less than half the cash raised by Travelers from its own shareholders.

Most of the money appears to be directed at new commercial lines, but the problem remains one of lack of capacity rather than excess. Commercial rates continue to rise, albeit more slowly. Industrial companies are setting up their own insurance syndicates in order to underwrite the risks that the composites will not touch. This suggests that the insurance companies may raise yet more money before they feel confident enough to tackle some of the available risks. Shareholders will thus suffer a dilution of favourable underwriting results, while providing the wherewithal to fund future shocks on the liability front.

At today's rates insurance companies are still making a smaller return on equity than the industrial sector. Until that relationship is altered it will be too soon to rule out a repeat of the rush for business of the late 1970s. Record real rates of interest could prove as fatally attractive as did record nominal rates.

Union Discount

If Union Discount had published its interim statement last Friday shareholders might have seen a dividend increase. Then a base rate cut looked almost imminent. Now the old worries about sterling make it a more distant prospect. Yesterday the interim stayed the same and so did the shares at 690p. Not since the happy days of 1982 has Union been sufficiently confident about its second half to raise the half-time payout. Profits so far this year may be excellent, a word Union does not use lightly, but as the houses so often say, they can lose it all in a day. Even so it would take only a small rise in the final to put the yield up to 8 per cent.

The problem is that their cost of money continues to be higher than the yield earned on their books. Profits are only made through capital gains when rates fall. It seems that Union made its money in the first quarter and gave some back in the second. Without more rate cuts Union could spend the second half simply trying to hold on to what was made in the first. At least the Bank of England's bill mountain – which provides the discount market with a lot of unprofitable business – is now of Alpine rather than Himalayan proportions. If volatility in its traditional business were not enough, though Union's strength is damage control, Big Bang will add to the uncertainty. The City's view of the shares as a high-yielding interest rate play may not be enough to sustain them.

هكذا من الأصل

How to spot good and bad chiefs to work for

BY MICHAEL DIXON

WHAT sort of company boss do you work for?

The odds are that he or she will fall into one of five main types, Professor Fred Herzberg told several hundred personnel chiefs at a Management Centre Europe conference in Vienna not long ago.

What is more, he suggested that if you could tell him the type of boss your organisation has, he could tell you which kind of mental sickness prevails among the people beneath.

The Jobs Column almost had to pinch itself to believe that it was hearing and seeing Fred Herzberg again. I first met him around 1968, just after starting to write about people at work, when he seemed to me to tower above all other commentators on management with his controversial theory about motivation.

As some readers may not know the theory, I had better outline it.

Let's start with the assumption that people are best motivated in their work if they want to do it. Let's also assume that we are most likely to want to do it *if* it satisfies our needs.

Now the needs of most of us in developed countries are mercifully more complicated than the bare necessities of survival like food, warmth and shelter. But people's needs still tend to be viewed as fairly simple.

The general belief is straightforward. If a *job provides* us with enough of certain things such as pay, then we will be satisfied by it. Conversely, if it fails to provide enough of the same things, we will be dissatisfied.

In other words, the usual view is that job-satisfaction works like a standard electrical switch. At any one moment people will be either wholly turned on by *their job, or* wholly *turned off* by it.

But that is surely not true. If readers' experience is similar to mine, they must spend a lot of their working life being both satisfied *and* dissatisfied in their job at the same time. And what seems to me particularly powerful about Professor Herzberg's theory is that it offers an explanation of that confused state of affair.

He *says it is* wrong to *think* that whether or not we are satisfied in a job is determined by whether it provides us with enough or too few of the self-*same things. His claim, on the* basis of prolonged research, is that the things about a job which make it satisfying on the one hand, are different from the things which make *it* dissatisfying on the *other.*

The satisfaction-generators can be viewed as things which make us positively want to work. The *dissatisfying factors* are those which, at best, can merely stop us from wanting *not* to work.

Fred Herzberg lists the satisfiers *as the possibilities a job* provides *for* achieving, for being recognised for achievement, for finding intrinsic interest in the work, for exercising personal responsibility, and for developing as an individual human being. A corollary of the *self-development aspect is* that as people grow in a job, they will not go on being satisfied in it unless the work—in terms of the things it allows them to achieve and so on—grows with them.

The satisfiers all arise from the content of the job. By *contrast the dissatisfiers relate* to the context in which the work is done.

In being able at best to stop us *from wanting not to work* they resemble hygiene which, although it can prevent people from becoming more ill, does not of itself make them positively healthier. So the professor calls the dissatisfiers "hygiene factors."

They include the quality of relationships with bosses, equals and subordinates; the effectiveness of company policy and administration; physical working conditions; the security *and status of the job; and its* effects on personal life.

Pay can also be merely a hygienic factor if it is given in certain ways. These are either as a bribe in advance—"do this much and you'll get that much"—or automatically regardless of the person's results. But pay *can equally* be a *satisfier if it* is given as recognition for achievement—"you've done well this week, have an extra £100."

That, in rough terms, is the nub of the so-called motivation/hygiene theory. And over the quarter century since Fred Herzberg first assembled it he has sadly watched most employers managing in ways *which, although they change,* are in his view increasingly counterproductive. Which brings us back to the five types of boss I mentioned at the outset.

Misery-makers

The oldest kind that the professor described to the Management Centre Europe conference is the patron, "who acts the part of an autocratic father figure controlling job security." Given a patron on top, the mental illness most likely to prevail below is severe *inferiority complex.*

While old-style patrons still persist in numerous organisations, in others they next gave way to "the reorganiser, who urges workers to spend their energies *jumping for* positions in the hierarchy." The associated form of employee insanity is paranoia.

The third type of boss is "the populist, who promises equal participation regardless of ability." Under a populist, the *workforce tends to develop* frenetic mania.

Fourth in the historical succession of leadership styles comes "the pandering promoter, who rushes from one self-indulgent management fad to another." Among the things *such leaders promote* is company-wide narcissism.

The last type, who the professor claims has come into the ascendant in the 1980s, is "the speculator, who manipulates company finances without understanding the products, clients or people involved." The staff sickness associated with speculator chiefs is psychological depression whose main symptom is a feeling of helplessness, not least because the newest style of leadership is more remote from people and the work they do than any which has gone before.

Fred Herzberg maintains that the effect of the progression through the five different types of top management has been to inject worse and worse demotivation into the workplace. So what is to be done about it?

Well, on my own bat I would *recommend* readers who may be thinking of changing their job to look into the styles of the heads of prospective employers. They would surely be wise to shy away from any whose chief clearly falls into any of the misery-making categories.

As for the positive task of *identifying leaders who would* probably be good to work for, the professor offers a few favourable indications to seek out.

One is companies which evidently recognise that the most important decisions are those about which there can be no certainty, and trust staff to act on their own know-how and initiative.

A second is organisations where people responsible for doing a particular job are required to deal face-to-face with "client" colleagues in the company as well as outside customers. Concerns which sterilise contacts between people by making them deal with one another through *formalised* bureaucratic procedures, should be shunned.

Another is companies which encourage staff to become involved—emotionally at least as much as intellectually—in their jobs. "We cannot be really creative in work that is not loveable." Fred Herzberg says.

The last, but certainly not the least thing to look for is chiefs who maintain first-hand knowledge of their organisation's products and customers. In Vienna, the professor cited the head of a big American distribution group who spent a day every month on average riding *round in a truck personally* delivering packages.

That, we are told, is the sort of boss who is highly likely not only to motivate good people but to lead a company that goes from strength to strength.

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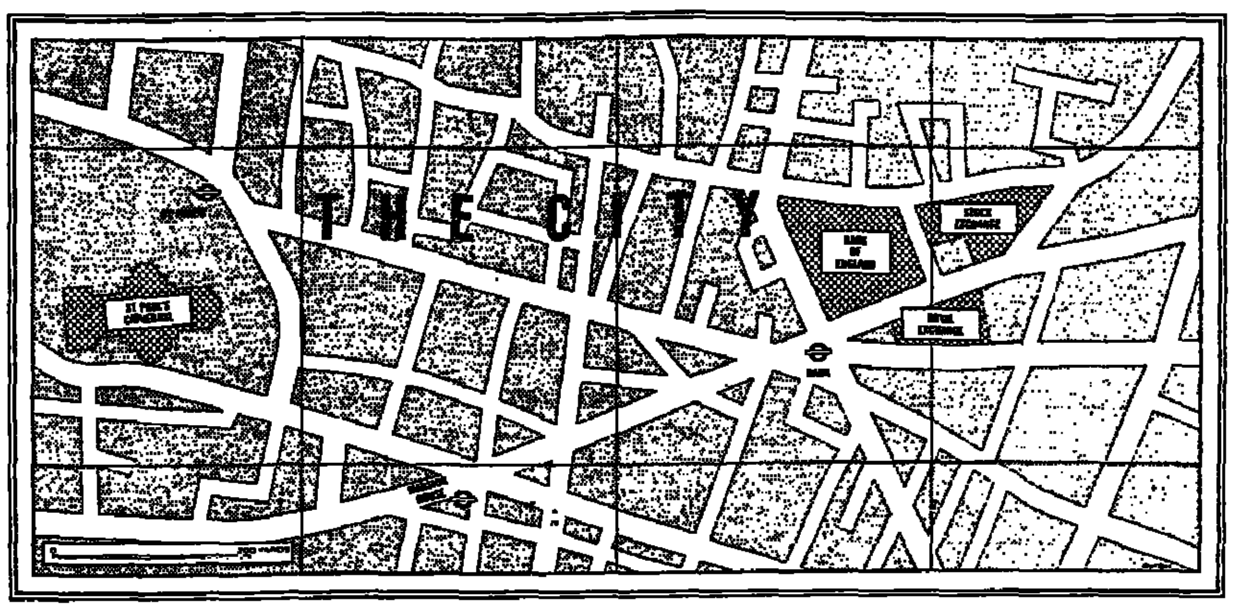

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Again written and oral communication skills are very much in demand – coupled with an indepth knowledge of the unit trust market.

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For this vital area we would like to hear from young men and women who have future potential supported by around 2 years' experience of handling stock exchange orders for branch banks. If your experience has included unit trusts, so much the better.

All the positions have scope and the security of an organisation that is quick to recognise and reward real talent. In addition to the top salaries we are also offering performance-related bonus * low interest mortgage * car loan facility * subsidised lunches * generous holidays * non-contributory pension.

Telephone our Consultant Stephen Diner on 01-831 0111 between 9.00am and 5.00pm (05806 2823 evenings after 7.00pm or over the weekend) or alternatively send your cv to him at:
JM Management Services,
(Ref 335F), Columbia House, 69 Aldwych,
London WC2B 4DX.

NATWEST INVESTMENT BANK

APPOINTMENTS ADVERTISING

£41 per single column centimetre and £12 per line
Premium positions will be charged £49 per single column centimetre

For further information call:
Louse Hunter
01-248 4864
Jane Liversidge
01-248 5205
Daniel Berry
01-248 4782

Investment Information
a career development opportunity Central London

Clerical Medical is noted for the strength of its investment management, which has helped the Society become one of the leading life, pensions and unit linked organisations in the U.K.

This new appointment is in addition to a small team who provide varied investment communication support to a wide range of internal and external contacts.

Initially you will be involved with the computerisation of investment performance and competitor performance statistics and analysis of this data.

Ideally you will be a graduate in mathematics, statistics or a computer related subject with 2/3 years experience in the financial sector or industry. Equally important will be your personal contribution to the development of this team which could prove an invaluable stepping stone towards a career in investment.

We offer a competitive salary according to qualifications and experience plus an excellent benefits package.

Please write with full details to Nick Morgan, Clerical Medical and General Life Assurance Society, Narrow Plain, Bristol BS2 0JH.

Clerical Medical
Life Assurance

SENIOR TREASURY DEALER

A vacancy has arisen for a Senior Treasury Dealer in the Treasurer's Department of British Aerospace Corporate Headquarters based at Weybridge in Surrey. British Aerospace is one of the world's leadingaerospace companies with a turnover in excess of £2.5 bn, of which 60% is exported.

The successful applicant will play an active role both in the investment of the company's substantial cash surpluses and in the company's foreign exchange dealing.

He or she should also have gained experience in dealing in many of the new instruments which may be applied in the field of corporate cash management. A minimum 3 years experience of active dealing in a financial institution or major company is essential.

The preferred age is late 20s/early 30s, and a relevant degree or professional qualification is desirable. ACT membership would be an advantage.

This represents an opportunity to join a highly professional and commercially motivated Treasury team. An attractive salary package is available appropiate to a large Company.

Please write or telephone for an application form and job description to: Mrs. M. L. Handley, Personnel Department, British Aerospace Corporate Headquarters, Brooklands Road, Weybridge, Surrey KT13 8BR. Telephone: 0932 53444 ext. 3404.

1986 INDUSTRY YEAR

BRITISH AEROSPACE ...up where we belong

European Equity Analyst

Schroder Investment Management Limited, a subsidiary of J. Henry Schroder Wagg & Co. Limited which is one of the leading U.K. merchant banks, is looking for an analyst to join its growing Continental European investment team. Whilst some experience of stockmarkets would be useful, this is not essential. Candidates should have a degree or business school qualification in accountancy, economics or business administration and should be familiar with company accounts. It is important that candidates should speak one or two European languages, and proficiency in Italian or Spanish would be particularly useful.

The position entails analysing the financial situation and business prospects of companies from both the qualitative and quantitative standpoint, a task which forms an essential part of our selection and decision-making process for European investments. The analyst will therefore be expected to travel regularly to Europe to visit the companies which he or she is following.

A fully competitive salary is offered together with an attractive range of benefits including mortgage subsidy, and a generous non-contributory pension scheme. Career prospects within the Schroder Group are excellent.

Applications in writing, with full curriculum vitae, should be sent to: The Head of Staff and Administration, J. Henry Schroder Wagg & Co. Limited, 120 Cheapside, London EC2V 6DS.

Schroders

SAVORY MILLN
MARKET MAKERS

Savory Milln, having created a very successful market making operation in Continental European shares are expanding into the UK domestic equity market.

In a recent Mori Poll of UK Brokers research, Savory Milln were ranked in the top five places. From October we will be making markets in selected domestic equities and wish to strengthen the existing UK market making team. Ideally applicants will have some market making experience.

To apply, please contact Hugh Hughes on 01-588 1170 or write, enclosing full CV to:
3 London Wall Buildings
London EC2M 5PU

ROYAL TRUST

Savory Milln is a member of the Royal Trust Group

PROPERTY FINANCE

On behalf of our client **County Limited**, part of the NatWest Investment Bank group, we seek an executive aged 25-35 who is fully committed to the property market and ready to take increased responsibility for a large and active portfolio.

Working within a team that has been involved in most of the recent major UK property transactions the candidate will need to demonstrate a professional and innovative approach to loan and equity finance, new product development and a full understanding of the client needs within current and future markets.

Competitive salary package including excellent banking benefits.

Please write in confidence to Sara Bonsey.

18, Eldon Street, Moorgate, London EC2M 7LA. Tel: 01-588 4224

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STERLING BROKERS LIMITED

Due to continuing expansion, we are currently looking to employ brokers with Sterling Money Market experience.

Please reply in confidence, by contacting:—
Mrs. J. Cornish,
Sterling Brokers Limited,
65 London Wall,
London
EC2M 5TU
Tel: 01-628 4537

Jonathan Wren

CHIEF ACCOUNTANT

Salary neg £30,000 to £37,000 + benefits

The new capital markets division of a major international bank seeks a high calibre accountant, who is currently working within a banking or stockbroking environment. Aged 30 to 35 years, probably qualified with at least 3/5 years experience covering the following principal areas:—

Systems — involvement/development
Corporate Taxation — UK and international
Accounting — statutory, regulatory, HO and management reporting
Preparation of annual reports and accounts
Liaison with internal/external auditors

BOND SETTLEMENTS/ OPS MANAGER

Salary neg £30,000 to £50,000 + benefits

We seek a candidate currently at Assistant Manager or Manager level with a number of years 'front line' experience covering all aspects of eurobonds and equities settlements. Pre-requisites are first class communication skills, management reporting experience and more importantly, the ability to identify, prepare and implement systems enhancement and development. Knowledge of the BTAS bond system would be very advantageous.

Salaries will in all cases be negotiable and accompanied by a full banking benefits package, plus bonus.

Please contact Brian Gooch or Bryan Sales, or send a detailed curriculum vitae. All applications will be treated in strict confidence.

SYDNEY — Jonathan Wren — HONG KONG
Recruitment Consultants
170 Bishopsgate, London EC2M 4LX. Tel: 01-623 1266

Could you be the driving force?

Executive Compensation Consultant

Package value circa £40,000

Our Client knows all about setting the pace. A major financial institution with a reputation to maintain, they are breaking new ground yet again with the creation of their own executive compensation practice. What they now need is a business pioneer who can start this up and develop it into a force to be reckoned with within this competitive field.

Your primary responsibility will be to attract and secure new business links – both by drawing on the Company's existing UK client base and through the implementation of a creative marketing and development plan. No small task, it calls for strong commercial acumen, hard-edged, yet diplomatic negotiating skills and a minimum of 5 years practical experience in executive compensation. Aged 30-45, you will be an innovator who can liaise effectively at the highest level and who can demonstrate the leadership skills to develop a successful and profitable business.

The challenge is rare, the rewards realistic. An attractive salary is supported by a substantial negotiable profit-related bonus, executive car, non-contributory Pension Scheme, full assistance with relocation where justified, life insurance and BUPA. If you consider yourself of the calibre we have in mind, apply in the strictest confidence by writing or telephoning, quoting reference 670/FT/JA, for an application form, or send a comprehensive CV to:
Juniper Woolf Consulting Partners,
22 New Concordia Wharf,
Mill Street, London SE1 2BB.
Telephone: 01-231 7127.

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ARE YOU *considering Management* Consultancy? We need one or two experienced managers to provide additional capacity for our executive search recruitment consultancy. Flexible conditions *negotiable* and opportunities to help develop a wider range of services. Write now to: The M.D., Future Company Ltd., 109 Jermyn St., London SW1Y 6HB.

UK Treasurer

Home Counties — to £27,500 + car

The Treasury Department of this substantial British plc, based to the west of London, plays a significant part in the group's financial development and strategy. The company has a reputation for adopting advanced financing techniques and regards the Treasury as an important profit centre, which adds a particular interest to this role. Reporting to the Group Treasurer, the UK Treasurer will manage a small team responsible for handling foreign exchange, money market operations, bank relationships, trade finance and tax-based financing arrangements. Candidates should be in the early to mid-30s with a professional or graduate qualification and must offer a solid background of treasury operations in a large-scale enterprise.

Salary negotiable to the level indicated and senior executive benefits provided.

Please send full cv indicating current salary, in confidence, to Michael Egan, Ref: AA26/9965/FT.

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Hyde Park House, 60a Knightsbridge, London SW1X 7LE.
Tel: 01-235 6060 Telex: 27874

INTERNATIONAL BOND FUND MANAGER

COMPETITIVE SALARY & BENEFITS – CITY

As a result of an internal *promotion*, Save & Prosper, a leading financial services company with £3 billion under management, now have an opportunity for an international bond fund manager.

You will be responsible for a number of funds, both single-currency and multi-currency. Experience of all bond markets is not essential, but experience of Yen and DM as well as Dollar bonds would be an asset. The ability to judge prospective returns from one market as against another, in both currency and bond terms, is vital. You will be situated on the fixed interest desk and expected to contribute both to that desk and in respect of general economic, currency and interest rate views, to the investment department generally.

If you are interested in this position please write in the first instance to Keith Nicholson, Personnel Department, Save & Prosper Group Ltd., 28 Western Road, Romford RM1 3LB. Tel: (0708) 66966.

SAVE & PROSPER

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Are interested in talking to members and non-members with their own portfolio of clients, especially to those who find working in London increasingly difficult and who would welcome working in:

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HM & Co are seeking private client executives for their offices in:

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Please contact O. F. Smith, Administration Director, Heseltine Moss & Co, 30/31 Friar Street, Reading RG1 1AH.

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Venture Capital

A major institution is expanding its venture capital team to manage funds of approximately £100m with an annual investment of aproximately £20m.

Aged 25-35, the successful candidate may have experience within a similar organisation or a development agency. Legal or accountancy qualifications with investigation experience, or an MBA with relevant experience in marketing or finance, in an industrial context would be ideal.

The position will give exposure to all aspects of venture and development finance, including B.E.S. funds and offers responsibility for structuring deals to be syndicated with other City institutions.

Salary and package will be commensurate with experience.

Please contact Emma Weir in confidence for further information.

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44 Carter Lane, London EC4V 5BX. 01-236 7307
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TREASURY MANAGEMENT WITH A GLOBAL CAREER DIMENSION

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The very nature of our business makes cash management and funding a crucial element in determining the Company's profitability. Leading a small team your principal goals will be to:

- Develop and implement the Financing Strategy for the region.
- Maximise usage of the region's cash resources.
- Develop and maintain external bank relationships.

A graduate, in your late twenties or early thirties with an MBA and/or professional qualification and around 5 years relevant *experience in a major multinational* corporation or bank, you will have already demonstrated outstanding problem solving, decision making and leadership skills in a fast moving entrepreneurial environment.

The compensation package will include a competitive salary, mortgage subsidy, car plan and relocation expenses. *Given our rapid growth and global business,* career prospects are excellent.

Please write enclosing a copy of your career resume to David Miller, Director Personnel Services, American Express Europe Ltd, *Amex House, Edward Street, Brighton* BN2 2LP. Tel. Brighton (0273) 693555 extension 6813.

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£12,000 to £60,000

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Experience of analysis in Gilts, International Fixed Income, Currencies, Commodities or Economic Strategy is much sought.

Whether you are actively looking or would simply like to be kept informed we would be happy to advise you of the opportunities currently available.

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Corporate Finance Executive

Henry Cooke, Lumsden Ltd
Manchester

This is one of the largest firms of stockbrokers outside London. It acts as brokers to approximately 40 companies, and is an active sponsor of new issues. As a result of expansion in corporate activities there is a need to augment the corporate finance team with the appointment of a young (25–35) executive. Applicants, certainly of graduate calibre, will have at least 2 years experience of corporate finance within a merchant bank, accountancy practice, or firm of stockbrokers. The company seeks candidates with the skills and stature to make an immediate contribution to the administration and marketing of the department. The remuneration package is totally negotiable but will include an appropriate salary, annual bonus, and non-contributory pension.

R.D. Howgate Ref: 27439/FT. Male or female candidates should submit in confidence a comprehensive CV, **061-832 3500, Hoggett Bowers plc,** *St. John's Court, 78 Gartside Street,* **MANCHESTER, M3 3EL.**

International B *Banking*

MGR: UK MARKETING

Our client is the London branch of an International Bank of substantial standing, which has experienced rapid growth in London in recent years. Current expansion plans offer an excellent opportunity for an ambitious banker, required to assist in the development of its corporate business.

The successful candidate, likely to be early-mid 30's, will have had several years experience in UK Corporate lending, broad-based and including trade finance.

This is a progressive opportunity, offering good prospects for further advancement. Salary and benefits will be commensurate with the position.

Detailed curriculum vitae should be forwarded to the address below or alternatively, please telephone for a confidential discussion.

01-628 4501

BANK RECRUITMENT CONSULTANTS — 57/58 LONDON WALL, LONDON EC2

Gordon Brown

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The company has all the latest technological facilities incorporating instant access to City institutions combined with the pleasant surroundings provided by working in a country house in the South East.

Remuneration is negotiable but will be around £20,000 per annum initially.

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Write in complete confidence to:

Stuart Goldsmith, Chief Executive,
Fredericks Place Group,
1 Fredericks Place, Old Jewry,
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F P G

Synthetic Securities

£Negotiable

The investment banking subsidiary of a major US bank currently wishes to recruit a specialist to strengthen its abilities to transact and deliver synthetic securities. The role will necessitate working in close conjunction with the bond trading, asset sales and swaps teams to identify and exploit market opportunities.

Candidates will probably be in their mid to late twenties and must have a broad understanding of the capital markets, together with strong analytical skills. They will probably have a background in bond/FRN sales or trading, swaps or asset sales. Those with first hand experience in this new and exciting market will be of particular interest.

The remuneration package is fully negotiable, subject to a candidate's experience and abilities and will include a performance related bonus and other bank benefits. Interested applicants should contact Christopher Smith on 01-404 5751 or write to him enclosing a comprehensive *curriculum vitae* at Michael Page City, 39-41 Parker Street, London WC2B 5LH, quoting reference 3658.

MP

Michael Page City
International Recruitment Consultants – London Brussels New York Paris Sydney
A member of the Addison Page PLC group

Project Economics and Planning Co-ordinator

Expand and Explore in Oil

International Oil Company

This major subsidiary of a US oil company has extensive interests both upstream and downstream. As Project Economics and Planning Co-ordinator, you will provide economic evaluation support and interdepartmental liaison for both on-going and new projects.

Reporting to the Manager, Tax, Treasury and Planning you will be in a position to contribute significantly to the effectiveness of the Company. *You will possess highly developed analytical skills* and have a knowledge of both domestic and overseas fiscal and political regimes as well as foreign exchange regulations. You will monitor developments in these areas and provide economic evaluation of existing and new projects to assist senior management decision-making. In addition, you will maintain records and liaise with operating, legal and accounting departments to ensure an integrated approach. Highly articulate and strong on initiative, you will be a self-starter and will derive considerable satisfaction from this challenging role.

Probably in your 20's and a recently qualified accountant or a graduate in economics, statistics or business studies, perhaps with legal experience or an oil industry background, you will be well placed to demonstrate your abilities.

A competitive remuneration package is available. In complete confidence, please ring or write to Margaret L. Elliott or John Diack at Cripps, Sears & Associates Limited, Personnel Management Consultants, International Buildings, 71 Kingsway, London WC2B 6ST. Telephone 01-404 5701.

Cripps, Sears

Fund Manager Europe + UK

Circa £40,000 and substantial benefits

Our client is the institutional investment management subsidiary of a major US Bank Holding Company with over $2 billion of ERISA funds under management. As one of the premier international ERISA fund managers, they seek a highly able individual to play an important part in their continuing development.

Probably aged 30-40, candidates should have a sound track record in fund management, or possibly research, gained in a performance motivated institution or a stockbroker. Knowledge of both the European and UK markets is preferable; the ability to take a quantitative approach to stock selection and demonstrate communicative and management skills is essential; previous exposure to ERISA funds is an advantage.

The position will involve joining a small, professional and highly motivated team to take over responsibility for the performance of the UK and European content of ERISA funds under management. This will *necessitate stock selection*, within the parameters of research led strategy, together with supervision of analysts and client presentations.

Please contact Anthony Innes who will treat all enquiries in confidence.

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Life
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FUND MANAGER

At British National Life, Citicorp's wholly owned life assurance subsidiary, we are proud of our most impressive investment record in unit-linked products.

Funds under management continue to grow rapidly as the Company enjoys a sustained period of buoyant sales and successful investment.

The Investment Department, based at Head Office in Haywards Heath, now needs to strengthen its resources with the appointment of an experienced *Investment professional specialising in UK or International Equities*, who can claim personally the same track record as us.

Aged probably 25-35, a graduate and ideally conversant with PC systems, the successful candidate will assume responsibility for at least two unit-linked funds.

Rewards will include a salary sufficiently attractive to interest high calibre applicants, and the benefits package includes non-contributory pension, company car, mortgage subsidy and relocation assistance to West Sussex if necessary.

Please send your c.v. to, or contact Alison Moncrieff for an application form at: British National Life Assurance Co. Ltd., British National Life House, Perrymount Road, Haywards Heath, West Sussex RH16 3TP.

PART OF CITICORP

CORPORATE FINANCE EXECUTIVES

Our client is a leading Merchant Bank with a powerful client base and one of the most *prestigious Corporate Finance departments in* the City. They are currently recruiting high achievers to join the team.

The ideal candidate will be a graduate (at least 2:1) aged 25-28, with either an A.C.A. or legal qualification gained within a City firm or relevant corporate finance experience.

Promotion will be rapid and salary competitive for the individual with entrepreneurial flair who is confident, articulate and a positive thinker.

Please write in confidence to Sara Bonsey.

18, Eldon Street, Moorgate, London EC2M 7LA. Tel: 01-588 4224

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A leading firm of international investment consultants, with attractive offices in the West End, are seeking two professionals *who will participate in our development.*

- **Manager Research** — must have a strong personality, be keen on meeting people and be able to produce well-written research material.
- **Quantitative Research Associate** — with an analytical *mind, who enjoys working with micro-computers.*

Applicants should be career-orientated with one to three years' experience and be self-motivated. Whilst training will be given in our unique approach, you will be expected to make an important contribution to our consulting practice. A competitive compensation package will be offered to the successful candidates. *Please apply in writing, enclosing full curriculum vitae, to:*

Mrs. Langton
FRANK RUSSELL INTERNATIONAL
75 Wimpole Street, London W1M 7DD

Careers in Treasury Markets

Money Markets Trader £Neg

Our clients, a major US Investment Bank, are looking to recruit an experienced dealer to join their Money Markets desk. A proven ability within the areas of multi-currency and short-term securities dealing is essential, as is relevant experience of Sterling CD's and the ECU. The substantial remuneration package offered reflects the importance of this position.

Money Markets (General) £Neg

One of the most respected yet aggresive American International Banks is expanding its money market operation. Vacancies across the board from junior sales staff to senior traders exist at the Bank and the competitive salaries offered reflect the urgency in finding the right candidates.

Forex Dealers £Neg

Our UK Merchant Bank clients have vacancies for 2 Foreign Exchange dealers with varying degrees of experience. The senior position is for an experienced spot trader with a sound knowledge of most of the major currencies; and a junior dealer with about 18 months trading experience is also required.

For further information on these and other appointments please contact **Louise Gore on 01-481 3188.**

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DRI Europe (an operating company of McGraw-Hill) is market leader in providing economic analysis and quantitative research for the European and world automotive industry. Our automotive staff, based in London and Paris, combine rigorous analytical techniques with informed judgement in our forecasts and issue-related work.

Candidates must be able to show evidence of report writing skills and practical use of quantitative analysis. A background including analytical experience *in the motor industry will be advantageous, as will language* skills.

Candidates will require strong academic qualifications (probably an MSc *(Econ) or equivalent) with a good grounding in econometrics and other* quantitative techniques. They should be ready to progress towards a prominent role in developing and presenting DRI services to clients in Europe and beyond.

Expected salary range: £12-20,000 according to experience. Prospects for advancement to more senior posts are excellent.

Please reply in confidence to:
John Lawson
DRI Europe Ltd
30 Old Queen Street
London SW1H 9HP

McGraw-Hill

Accountancy Appointments

Corporate Communications
Newly Qualified

West End **to £18,000 + Benefits**

Our client, Reginald Watts Associates, are a rapidly expanding organisation specialising in both the marketing and corporate communication sectors. Having already established an enviable reputation in their marketplace, the company now has firm commitments to develop its operations and to add to its already impressive client portfolio.

The Directors recognise that an integral part of its future growth is the appointment of a Financial Controller to both complement and extend the breadth of experience of its management team.

A young, recently qualified accountant is therefore sought to join the company in the position of Financial Controller to participate with management in the running of the company and to provide the financial input to the overall decision making processes.

Prospects within the company are excellent and it is anticipated that the selected candidate will be considered for a directorship and an equity stake in the business in due course.

If you consider that you have the necessary drive and ambition that our client requires please contact Charles Austin on 01-831 2000 or write to him at Michael Page Partnership, 39-41 Parker Street, London WC2B 5LH.

Michael Page Partnership
International Recruitment Consultants
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Group Financial Controller

Herts **c. £25,000 + Car**

Our client, a profitable and expanding Group of companies with a turnover of the order of £35 million, is a market leader in the manufacture and distribution of high quality materials for interior decoration.

Reporting to the Group Finance Director, the position is responsible for all financial and management accounting, Group budgeting and taxation matters. In addition, the job holder will be closely involved in the current major enhancement of Group computerised accounting systems and policies.

The successful candidate is likely to be a graduate Chartered Accountant, aged between 35 and 45, with relevant experience in a high volume marketing and manufacturing environment. Personal attributes should include strong leadership qualities, a common sense approach and an ability to work under pressure.

Please reply in confidence, giving concise career, personal and salary details, quoting Ref. ER873 to:
Brendan Keelan, Executive Selection, Arthur Young Management Consultants, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH.

Arthur Young Executive Selection
A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Young CA

Private investment fund **Sussex** **c. £20,000 + car**

Substantial funds are deployed by this investment group which incorporates a large estate in Sussex where the head office is based. Existing interests span manufacturing and other businesses in the UK, USA and the Continent, and the active investment policy will expand this base. The Finance Director requires a self-motivated Chartered Accountant in the late 20s with microcomputer experience, particularly of spread sheets and data bases, who will be responsible for accounting, treasury and administration duties as a key part of the small central team. The role will range from acquisition investigation and the preparation of business plans and financial budgets to the development of reporting systems. The post offers a demanding alternative to the large company, in a highly professional and congenial environment.

Salary negotiable at the level indicated with car provided.

Please send full cv indicating current salary, in confidence, to Michael Egan, Ref: AA26/9957/FT.

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US INVESTMENT BANK DEVELOPMENT ROLE

ACA's 26 – 30 **£30,000 PACKAGE**

As a result of increasing client demand, our client, a strong competitor in the major financial markets, is continuing its programme of co-ordinated expansion in the UK.

To meet the demands of the highly competitive environment and new regulatory framework in the city, they are now seeking to appoint an individual of outstanding ability. The role will be advisory and developmental in nature and will involve the provision of technical support across all trading areas. Initially some time will be spent in New York gaining familiarity with our clients operations.

The successful candidate is likely to have already gained some experience within a banking environment or be at manager level within a major professional firm.

Interested applicants should telephone Robert Walters on 01-930 7850 or write enclosing brief details to the address below.

ROBERT • WALTERS • ASSOCIATES
RECRUITMENT CONSULTANTS
66-68 Haymarket London SW1Y 4RF Telephone: 01-930 7850

FINANCIAL CONTROLLER/ POTENTIAL FINANCE DIRECTOR

Up to £17,000 + car + benefits

A young privately owned Group, a market leader with strong growth over the last 5 years, seeks a Financial Controller/potential Finance Director to assist in its exciting expansion plans.

The successful candidate will be responsible to the Managing Director for the entire finance function in a marketing organisation with its own production units. The Group supplies consumer products mainly to retail multiples.

Candidates, aged 30-40, should be qualified accountants with first class relevant industrial/ commercial experience and with the potential to match the future growth of the Group.

Please reply, enclosing C.V. to:
The Managing Director, SimpleGrow Ltd., Bury Road, Chedburgh, Bury St. Edmunds, Suffolk. IP29 4UQ

SimpleGrow

Finance Manager

W. London **To £20,000+car**

Our client, the investment based subsidiary of an internationally known public company seeks a senior financial executive to join a high level management team.

As a key member of the management team the appointee will be responsible for the entire accounting function of this substantial organisation, and its subsidiary companies.

Managing a team of 14 staff, the main tasks will be to formulate, establish and maintain accounting policies and procedures; and to provide financial information to senior managers.

An enthusiastic and innovative approach will be required to manage and run this flexible operation which needs to develop in response to the rapidly changing demands of the organisation.

Suitable candidates will be Graduate ACA/ACCA qualified. Previous experience in a relevant environment such as an Insurance Company will be desirable, as will evidence of management skills.

Prospects for career development are excellent both within the company and the parent group.

Please apply directly to Suzzane Wood on 0753 857181 (days), 01-876 5405 (evenings), or write to her at Robert Half Personnel, Mountbatten House, Victoria Street, Windsor, Berks SL4 1HE.

ROBERT HALF
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CHIEF ACCOUNTANT
DESIGNATE
CITY

In all sectors of the investment and securities industry, Morgan Stanley is a very powerful influence . . .

With an established strength of 500 staff and plans to add a further hundred key talents before the end of '86, we can, quite genuinely, offer the excellent prospects that are missing from many careers.

Our future Chief Accountant will play a decisive role in harvesting the information that will guide our growth. With the advent of new regulations, change is a very real challenge. We need someone who can rise to it. A mature minded professional with at least 3 years' *sound post-qualification experience. Someone who can* impress at all levels and impose their will by first winning respect.

Mind you, if you possess these crucial qualities, you will receive all the backing of a fully committed management. To us, information is a vital resource. While many companies pursue a policy of 'least expenditure for survival,' we prefer to 'invest for growth.' That's why, we have confidently pioneered new IT systems – like daily reporting and full audits of all trading activity. Few organisations have so many facts at their fingertips.

Your priority is to continue this trend. To travel to New York and Continental Europe to monitor all leading-edge developments. To upgrade the systems that will underwrite our future. To provide the accounting and management reporting that is so essential in the radical new City environment. And, in return, we promise to reward you with a top income package and the firm prospect of promotion to Chief Accountant after only six months.

The question is, do you have the qualities and qualifications to climb so high? We'll be waiting for your answer. Please write in confidence to Lynn Hopping, Assistant Personnel Manager, Morgan Stanley International, PO Box 132, The Commercial Union Building, 1 Undershaft, Leadenhall Street, London, EC3P 3HB.

MORGAN STANLEY INTERNATIONAL

Assistant Financial Controller

Ideal Homes Holdings plc, the residential development division within the Trafalgar House Group have a vacancy for a fully qualified, experienced Accountant to join their Finance Department based at West Byfleet.

The successful candidate will take responsibility for a full range of financial services to Senior Management including attendance at Board Meetings and will have experience of the initiation and maintenance of Computer Systems and reporting procedures preferably within a Construction or Development Company. Frequent overseas travel will be necessary initially.

An excellent salary will be offered together with a company car and the usual range of large company fringe benefits.

Please write or telephone for an application form to: Mrs J Heaton, Personnel Manager.

Ideal Homes Holdings plc
West Lodge, Station Approach,
West Byfleet,
Surrey KT14 6NG
Byfleet 54285

Ideal Homes

Ambitious Financial Manager

– an outstanding career opportunity for a top flight professional

c. £25,000 + Car + Benefits *Northern England*

A major international food group, our client is pursuing an extensive acquisition programme, which will place increased demands on all Group Services. In response a new position, reporting to the Director of a major service function has been created.

Key responsibilities will be to provide Financial and Commercial information, advice and control in a Division which represents a major area of the company's expenditure. In addition, the incumbent will provide a number of Group Services to a complex and sophisticated business.

To exploit fully the potential of this opportunity you will need to be a Management Accountant and will probably be a graduate. Aged in your early 30's you should be able to demonstrate sound commercial experience gained in a progressive demanding environment. Strongly developed inter-personal skills are essential not only to manage a group of 50 through subordinate managers but to implement change in a positive yet empathetic fashion. A key factor from our client's perspective, is that candidates should be capable of making further advancements within the business.

A first class benefits package includes car and relocation to a very desirable part of the country.

Write with full CV to Confidential Reply Service, Ref: FAP/270, Austin Knight Advertising UK Limited, 35 Peter Street, Manchester, M2 5GD.

Applications are forwarded to the client concerned, therefore companies in which you are not interested should be listed in a covering letter to the Confidential Reply Service Supervisor.

Austin Knight Advertising

FINANCE EXECUTIVE

EXCELLENT SALARY
AND BENEFITS PACKAGE OFFERED

We are a leading US designer and manufacturer of high performance data communications systems.

We are seeking a highly-motivated candidate for a key financial position at our European Headquarters in the UK. The ideal candidate will be a Qualified Accountant with a minimum of 10 years' experience at Controller level in a computer-related electronics industry and possess a thorough knowledge of US accounting methods, regulations and procedures.

Please send full c.v to Box A0196, Financial Times 10 Cannon Street, London EC4P 4BY

EXPERIENCED FINANCIAL CONTROLLER
Required For PART-TIME VACANCY

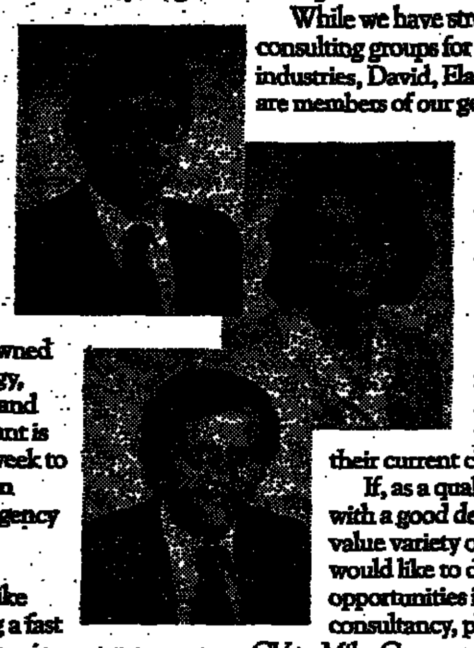
Required for an International Specialist Magazine Publishing Company based in North West London. This position is likely to suit a qualified accountant who now only wishes to work three days a week. The person selected must demonstrate a sound knowledge of magazine publishing and have a proven success record installing and monitoring financial control systems and compiling written reports for board meetings. The applicant must be familiar with computerised accounting and financial modelling.

Please reply, with full curriculum vitae, to:
WILDER COE (Ref: CSS)
24 Weymouth Street, London W1N 3FA

Accountancy Appointments

LOOKING FOR VARIETY?

ACCOUNTANTS FOR CONSULTANCY



One of the attractions to a young accountant joining a management consultancy is the variety of experience that it offers, whilst enhancing career prospects.

At the present time David Hayde is advising a small privately owned group on its strategy, structure, systems and staffing; Elaine Brant is commuting each week to Geneva, helping an international aid agency to strengthen its accounting and administration; Mike Sheehan is helping a fast growing electrical equipment group to improve its accounting and management information systems.

While we have strong specialist consulting groups for particular industries, David, Elaine and Mike are members of our general financial management consulting group. They draw on relevant experience they have gained in quite different environments to strengthen the financial or administrative performance of their current clients.

If, as a qualified accountant with a good degree, you would value variety of experience and would like to discuss career opportunities in management consultancy, please send a brief CV to Mike Coney, our recruitment co-ordinator, quoting ref. A/JUL6.

PEAT MARWICK

Peat, Marwick, Mitchell & Co., Management Consultants, 1 Puddle Dock, Blackfriars, London EC4V 3PD

Finance Officer

King Edward's Hospital Fund

London W2 — *Not less than £25,000*

The King's Fund is an independent charity with an annual income that has been growing and is now over £4 million. It seeks to stimulate the highest standards of good practice and innovation in all aspects of health care and management through research and development, education and direct grants.

The Fund requires a qualified Accountant (preferably IPFA or ACA) to manage its financial services, with responsibility for all aspects of management reporting and grant-making, and the financial arrangements for the King's Fund's College, Centre, Institute, Head Office and property portfolio.

Candidates should have high professional standards, an interest or experience in the health care field, be effective communicators and able to demonstrate mature judgement. They must be able to develop exemplary internal financial systems; they will need both the technical competence to build upon the existing computerised system, and the judgement to make informed and innovative contributions to the Fund's strategic decision making.

Please reply to Martin Manning, from whom additional information may be obtained, with details of age, career and salary progression, education and qualifications, quoting reference 1624/FT on both envelope and letter. Candidate details will be discussed in strict confidence with our client.

Deloitte Haskins+Sells

Management Consultancy Division

P.O. Box 198, Hillgate House, 26 Old Bailey, London EC4M 7PL

Group Financial Controller

Due to the promotion of the existing Group Financial Controller, an expanding Public Limited Company based in the Herts/Essex borders requires a replacement.

Candidates will be qualified accountants, preferred age 25-30, currently employed in professional practice, with with experience of consolidations and corporate taxation.

The salary is negotiable up to £20,000 for a candidate experience of consolida- experience with company car, pension scheme and private health insurance.

Please write enclosing CV to: Box A0199, Financial Times 10 Cannon Street London EC4P 4BY

YOUNG DYNAMIC ACCOUNTANT

£15,000 p.a.

Expanding Geological Service Company, active in both oil and mineral industry, based in West London, require an Accountant to report directly to the Managing Director.

Applicant will be fully responsible for providing financial information encompassing presentation of Management Accounts to the Board, liaising with Departmental Managers to improve divisional profitability.

The position is seen as an ideal first move away from the profession for an ambitious, newly qualified ACA or similar interested in developing their career with this organisation, which hopes to seek a stock market listing within 3-4 years.

Please reply with full CV to: Box A.0150, Financial Times, 10, Cannon Street, London EC4P 4BY.

FINANCIAL CONTROLLER

SAUDI ARABIA — C SAUDI RIYALS 16,000/ Month

A highly prestigious and successful service company, closely associated with the airline industry, requires a Financial Controller, to be based in Jeddah from December, 1986, for a minimum of two years.

Whilst he is responsible for the entire financial function of five operating units throughout the Kingdom there is considerable authority to assist in devising a business strategy to take the Company into the 1990s.

Qualified Accountants in their 30s with considerable financial experience at senior level should apply.

The Company is fully committed to computerisation and experience of working in an EDP environment would be an advantage.

We need someone outgoing, with an energetic personality, who can communicate with all levels and will make a positive contribution to the training of the local Saudi management.

In addition to the salary indicated, there are the usual benefits connected to an overeas posting, including free housing, school fees and generous air tickets to home base.

Please reply in writing with fullest details to:

The Personnel Manager, Ref. HF-C, P.O. Box 9178, Jeddah 21413, Saudi Arabia

All replies will be treated in the strictest confidence. Initial interviews will be held in London.

Group Finance Director Designate

c£30,000 - £35,000 — Near Rugby

This is a key appointment in a British Group of construction and related companies with a turnover of £80 million. Internal promotion to Group Managing Director has resulted in the need to recruit a successor into this crucial position as an integral part of the senior management team.

Reporting to the Group Managing Director, you will have responsibility for the total finance and accounting function and be actively involved in financial policy formulation, financial planning, budgeting, forecasting and financial control. Other duties will include the day-to-day management of the Group accounting function, including the training and development of staff and the provision of advice on acquisitions and other new ventures.

You should be a Chartered Accountant and have operated at Finance Director, or equivalent level in a related industry with a working knowledge of Stock Exchange regulations and Pension Schemes. Experience as a line manager in construction or engineering would be an additional advantage.

A comprehensive benefits package will be negotiable and salary will not be a limiting factor for outstanding candidates.

Candidates should apply in writing, enclosing a full C.V., indicating current salary and quoting reference MCS/8690 to Mike Okninski, **Executive Selection Division, Price Waterhouse Management Consultants, Livery House, 169 Edmund Street, Birmingham B3 2JB.**

Galliford — Price Waterhouse

Appointments Advertising

£41 per single column centimetre and £12 per line. Premium positions will be charged £49 per single column centimetre

For further information call:

Louise Hunter 01-248 4864

Jane Liversidge 01-248 5205

Daniel Berry 01-248 4782

Assistant Management Accountant

c£15,000

Mercury Communications, is the rapidly expanding rival to British Telecom, *providing* an alternative Communications Network for Britain.

As part of our development we now need a further Assistant Management Accountant to provide accurate and regular budgetary information. As well as the preparation of monthly *statements and annual budgets, it will be necessary to* develop new systems and enhance existing ones and be able to respond promptly to information requests from managers. Assistance with capital expenditure procedures will also be required.

This is an excellent opportunity for a newly qualified or part-qualified Accountant who, as well as being numerate, analytical and personable, must be able to work on their own initiative and ready to assume responsibility. At least two years relevant experience is essential, and familiarity *with computer systems and spreadsheet and modelling* packages would be an advantage.

This job offers a real challenge to anyone wishing to develop their Accountancy experience, with excellent career opportunities in one of Britain's fastest growing companies.

A detailed curriculum vitae will be welcomed by **Robert Johnston, Personnel Department, Mercury Communications Limited, 90 Long Acre, London WC2E 9NP.**

Mercury COMMUNICATIONS

Group Accountant

...with international company experience

c.£18,000 + Car — West Midlands

Our client is a rapidly expanding group of companies with a turnover of £300m. This key appointment, based at the groups registered office, will play an important part as the finance function gears itself up to support an organisation now consisting of over 40 operating units; the post will report to the Controller & Company Secretary.

Prime tasks will include • *consolidation of monthly management accounts within* this group context • preparation of the annual report and accounts and related taxation work • annual budget and half-year review consolidation • and development of computerised systems linking the centre with subsidiary companies.

Candidates, qualified and aged around late 20's or early 30's, *must possess* industrial accounting experience gained in an international company. The ability to innovate and bring about change in a fast expanding environment is as important as the basic statutory knowledge and attention to detail.

Salary as indicated; company car; contributory pension scheme; family medical cover; 5 weeks holiday and other benefits including relocation assistance where appropriate.

Please write with full career details. These will be forwarded direct to our client. List separately any companies to whom your application should not be forwarded. Andrew Russell ref. B.2503.

HAY-MSL Selection and Advertising Limited, 12th Floor, Centre City Tower, 7 Hill Street, Birmingham B5 4UA.

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CONFIDENTIAL ADVERTISING

GROUP FINANCIAL CONTROLLER

Insurance Broking

LONDON — c £24,000 + car + bonus

Due to internal promotion a vacancy arises of Group Financial Controller in the small Head Office team of a large worldwide insurance broking group.

Qualities of drive, enthusiasm and commitment more important than insurance broking accounting experience. Consolidation experience essential.

Would suit 2 or 3 year qualified accountant preferably with a degree.

Excellent potential for promotion within this multi-national group.

Applicants should apply to: Box A0205, Financial Times 10 Cannon Street, London EC4P 4BY

EniChem

SUPERVISOR ACCOUNTS

EniChem is a major European multinational chemical concern with manufacturing assets in the UK, Germany and Italy.

A vacancy has arisen for a qualified accountant with experience of accounting concepts on the IBM 36, you will report to the Financial Controller and have a small department reporting to you.

As part of a small team located in the prestigious offices of our West London headquarters, the selected candidate will be responsible for a computerised accounting and management reporting system. Written and oral communication skills and the freedom to travel as and when required to our other offices within the UK and Europe are essential.

Salary will not be less than £15,000 plus private pension scheme and medical insurance.

Please telephone for an application form to:

Susan Aarvold on 01-577 1100

Financial Manager

Hertfordshire — c.£25,000 + car

Our client is the major operating unit of an expanding international group. This position has been created by a reorganisation designed to provide improved management systems in the short term, and then succession at Board level.

Reporting to the Financial Director the responsibilities will include all cost, management, and budget accounting. The major priority will be to manage the design, development and implementation of a computerised standard costing system. The successful completion of this project will bring wider involvement and responsibilities with the potential of a Board appointment after the retirement of the present Financial Director.

The ideal candidate will be a graduate qualified CA, aged 33-40, with at least 5 years' experience in manufacturing. He or she will need to demonstrate high commercial awareness and communication skills. Man-management experience and a sound understanding of mainframe and microcomputer systems are also desirable, together with engineering industry experience.

The remuneration package is negotiable including a bonus, car, family medical insurance etc. Relocation assistance is available if necessary.

Please send full cv, including current salary details, which will be forwarded to our client unopened. (Address to our Security Manager if listing companies to which it should not be sent.) Ref: R2125/FT.

PA

PA Advertising

Hyde Park House, 60a Knightsbridge, London SW1X 7LE. Tel: 01-235 6060 Telex: 27874

Small Manufacturing Company REQUIRE COMPANY ACCOUNTANT ASHFORD, KENT. Tel: 0233 39764

In 10 years we have built a unique and rewarding **ACCOUNTANCY PRACTICE** in SE London

If you are qualified, professionally experienced and would like to be an independent self fulfilled practitioner, please write to us as we have a worthwhile proposition to discuss.

Write Box F6664, Financial Times, 10 Cannon Street, London EC4P 4BY

Accountancy Appointments

ACCOUNTANTS

City **Sals £18-£30K**

In preparation for the Big Bang, several of our clients ranging from large merchant and investment banks to small financial institutions urgently require bright enthusiastic qualified accountants to join their rapidly expanding organisations. Positions include:

* Corporate Finance
* Eurobond Accounting
* Operations Support
* Financial Control
* M I S

These represent exciting opportunities with unlimited career potential for the right candidates.

For further details please write or telephone in strict confidence quoting reference SM1559.

Rochester Recruitment Ltd,
22A College Hill, London EC4R 2RP
Tel: 01 248 8346 (0932 220151 Evenings/Weekends)

Group Controller

London

£26,000 + s/options + car

Our client is one of the world's leading International Design & Marketing consultancies with an outstanding reputation for both its creativity and the commercial impact of its work. Over the last decade the company has achieved a dramatic increase in the range and scale of its activities, and this is planned to continue.

The rapid expansion has created the need for this new position. Responsible to the Finance Director and also acting as company secretary he or she will be responsible for the overall direction of the Finance Team and management of the group's finance function.

Flexibility of approach is essential for the role with tasks ranging from day to day routines to strategic decision making. The ability to contribute on a broad front to the group's management is essential, as is compatability with a demanding but creative business environment.

Candidates should be qualified accountants, aged 30-36, with varied commercial experience preferably gained in a service industry. The role is a demanding one and is reflected in the remuneration package.

Please write enclosing a full curriculum vitae quoting ref 111 to: Philip Cartwright FCMA, 97 Jermyn Street, London SW1Y 6JE.

Cartwright Hopkins
FINANCIAL SELECTION AND SEARCH

Deputy Group Accountant

c£25,000 + Car

A £2 billion turnover UK Group with major international operations is seeking a graduate Chartered Accountant to join a small H/Q staff dedicated to enhancing decision support systems.

In addition to this systems work, the position involves the preparation of the Group's budgets, monthly management reports and financial statements.

Applicants should be in their late 20's or early 30's and have industrial/commercial experience. The drive and experience to develop systems and manage a small staff is required in addition to the technical skills to handle large computerised consolidations. Location – Central London.

Please apply in confidence quoting ref. L248, to:—

Brian H. Mason,
Mason & Nurse Associates,
1 Lancaster Place, Strand,
London WC2E 7EB.
Tel: 01-240 7805.

Mason & Nurse
Selection & Search

ARTHUR ANDERSEN & CO

Management Accountant

Strand **to £20,000**

We have been retained by Arthur Andersen & Co Management Consultants, a firm which is a leader in an expanding and innovative market. The firm has achieved a reputation for excellence in all its operational areas by placing strategic importance on the recruitment of only the highest calibre individuals throughout. This commitment is reflected in the firm's internal finance and administrative functions where a high regard is placed on initiative, business acumen and career development.

As a result of a continued development programme an accountant is required for their Management Consultancy Division. The broad role will include the preparation of management information budgets, forecasts, long term planning of profitability and the control and monitoring of results of the division.

The successful applicant will be a recently qualified accountant in his/her mid to late 20's who has demonstrated a successful track record to date. This is a very high profile role with contact to partner level and therefore the person must have above average interpersonal skills and be able to think and react 'on their feet'. Career prospects within the firm are excellent.

Applicants should write, enclosing a full CV, to Hugh Everard at Michael Page Partnership, 39-41 Parker Street, London WC2B 5LH or telephone him on 01-831 2000.

Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol Birmingham Manchester Leeds Glasgow Brussels New York Paris Sydney
A member of the Addison Page PLC group

DIVISIONAL FINANCE DIRECTOR

EAST MIDLANDS *£25,000 + CAR*

The company is a market leader in specialist segments of the food and leisure industries. Its growth and success can be attributed to a continued awareness of market trends and consumer demands. It is now strategically poised to capitalise on a growing consumer market.

The position carries full responsibility for the finance function of the major operating division employing 2,000 people. The early emphasis will be on the development and use of management information and the implementation of tighter cost controls. You will make an important contribution to the direction of the business and lead a large team.

You should be a qualified accountant aged in your thirties. Your background will include running the finance function of a business unit and exposure to the discipline of a large organisation. Familiarity with the food, distribution or wholesale industries would be an advantage. You should possess the communication skills, commercial judgement and underlying toughness to play a key part in the development of this exciting business.

Please reply in confidence, giving concise career, salary and personal details, quoting reference no: L141, to Heather Male, Slade Consulting Group (UK) Ltd., Metro House, 58 St. James's Street, London SW1A 1LD. Tel: 01-629 8070.

London · Melbourne · Sydney · Brisbane · Adelaide · Perth · Auckland · Christchurch

SLADE CONSULTING GROUP (UK)

Group Financial Controller

City **Salary c£24,000 + car + benefits**

Our client, a large worldwide Insurance Broking Group has, as a result of internal promotion, created an opportunity for the appointment of a Group Financial Controller to join the small Head Office Team.

Reporting directly to the Group Financial Director, you will be responsible for the preparation and monitoring of group accounting information, with particular emphasis on the preparation of consolidated accounts.

Candidates, ideally aged under 30, will be Chartered Accountants, preferably with a degree and will demonstrate drive, enthusiasm and commitment gained in a commercial environment.

There are excellent opportunities for early promotion within this multi-national group.

Interested candidates should send a detailed CV including current salary to Don Day FCA, quoting reference LM62, at Spicer and Pegler Associates, Friary Court, 65 Crutched Friars, London EC3N 2NP.

Spicer and Pegler Associates
Management Services

Divisional Finance Director

Major fmcg Group

Northern England : c. £35,000 + Car

Our client has doubled turnover and profits during the past 5 years through an intensive acquisition programme and the vigorous development of established businesses. A Finance Director is now required for one of the major Divisions which manufactures and markets a diverse range of products.

The Finance Director is a member of the Division's Executive team whose task is to ensure that Operating Companies achieve profit targets and broader commercial objectives. The role also includes the evaluation of potential acquisitions and new markets.

Candidates should be qualified accountants, probably aged 35-40, with a successful record of financial management in market-led businesses. They must possess keen commercial awareness, sound judgement and strength of character.

Please submit a CV, including details of current earnings, in complete confidence, to Ronald Vaughan FCMA, ref. B.9002. A copy of the Appointment Specification will be provided to candidates attending interviews.

MSL EXECUTIVE SEARCH LIMITED
International Management Consultants
52 Grosvenor Gardens London SW1W 0AW

Group Financial Services Controller

£30-40,000 + Car

Based at our Head Office and reporting to the Group Finance Director, you will head a professional team primarily responsible for the financial evaluation of acquisitions, and major capital project proposals.

You will also participate in the analysis and development of the Group's strategic plans and the review of investment performance and subsidiary results. You may also be directly involved in commercial and contract negotiations.

The job demands a 'self-starter', technically strong, qualified accountant. Your excellent commercial awareness will ideally stem from previous 'hands-on' profit responsibility. High inter-personal and communication skills will be an essential qualification, particularly when working closely with our top corporate and subsidiary management. Overseas travel and occasional long working hours will require cheerful resilience.

This position offers a competitive benefit package, including relocation assistance, if necessary.

If you are under 45 and seeking to join an expanding Group, please send a full Curriculum Vitae to:

Philip Race,
Group Personnel Controller,
THE RANK ORGANISATION,
6 Connaught Place,
London W2 2EZ.

The Rank Organisation Plc

Finance Director (DESIGNATE)

South Coast **Salary c. £25,000**

Our client is a young but rapidly expanding group of companies within the travel industry.

The group's growth and future plans now necessitate the appointment of a Finance Director (Designate). The selected applicant will be responsible for the financial management of the group and will have a close involvement in the development and implementation of its future plans.

Applicants for the position will probably be aged 28 to 33 and should be qualified accountants with several years commercial experience ideally in the travel or leisure industries. There is the prospect of appointment as Finance Director in due course but this will be dependent upon the selected applicant demonstrating the entrepreneurial skills to make a positive contribution to the management of the group.

Please write with full career details to:–
C.M. Fletcher FCA, Haines Watts Recruitment Services, 33 Seldorde Street, London EC1R 0HJ

HW

The Institute of Chartered Accountants in England and Wales

Two opportunities for young Chartered Accountants within the Technical Directorate

London **c.£18,000–£22,000**

Responsibilities principally on technical projects for the Insolvency Practitioners Committee and for tax committees. This will involve a wide variety of issues including guidance to members licensed under the Insolvency Act 1985 and responses to Government on tax and insolvency matters.

Principal responsibility will be to support the Technical Advisory Committee, involving the co-ordination of the views of the Institute around the country on current technical issues and the advising of policy on these views. He/she will also be expected to take part in other aspects of the Directorate's work.

Successful applicants will require good organising ability, be able to communicate effectively, both orally and in writing, and be able to secure and retain the confidence of contacts at a high level. The experience gained will provide excellent experience for career development, including future opportunities within the Technical Directorate.

Write or telephone for further information and an application form, or forward a full C.V. to Michael Hoyle.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND & WALES

Chartac Recruitment Services
Institute of Chartered Accountants in England and Wales
PO Box 433, Moorgate Place, London EC2P 2BJ
Telephone 01-628 7060

CHARTAC

Financial Director

Norwich **Company Car Package c £28,000**

Our client is an old established electrical engineering company and a new subsidiary of the rapidly expanding and successful F.K.I. Group.

An exciting opportunity exists for a commercially motivated accountant who as a key member of the executive management team can make a significant contribution to the company's development and future growth. You will be expected to lead from the front and work to tight timetables in an environment where profit counts.

We are looking for a chartered accountant aged 30-40 who can demonstrate a progressive career path ideally gained in the engineering industry. You will be able to relate to needs at the sharp end and be totally conversant with the management of change.

If you seek a challenge and an opportunity to develop your career, the company can offer you real scope for growth. The benefits are those associated with a progressive company and the package will not be a barrier for the right candidate.

Please telephone for an application form (calls are answered 24 hours a day) or send comprehensive curriculum vitae quoting reference number DP/707 to:

Bryan Greenwood,
THE JOHN DALTON PARTNERSHIP LIMITED,
4 Post Office Avenue,
SOUTHPORT PR9 0US.
Tel: Southport (0704) 38776

(Applications are open to both male and female candidates)

THE JOHN DALTON PARTNERSHIP LIMITED
Management Selection & Recruitment Consultants

Accountancy Appointments

Company Accountant

Not less than £25,000
London

Our client is Foster Associates Ltd., the architectural practice well known for the recently completed Hongkong and Shanghai Bank and currently engaged in the redevelopment of Stansted Airport, in addition to a variety of prestigious domestic and overseas projects.

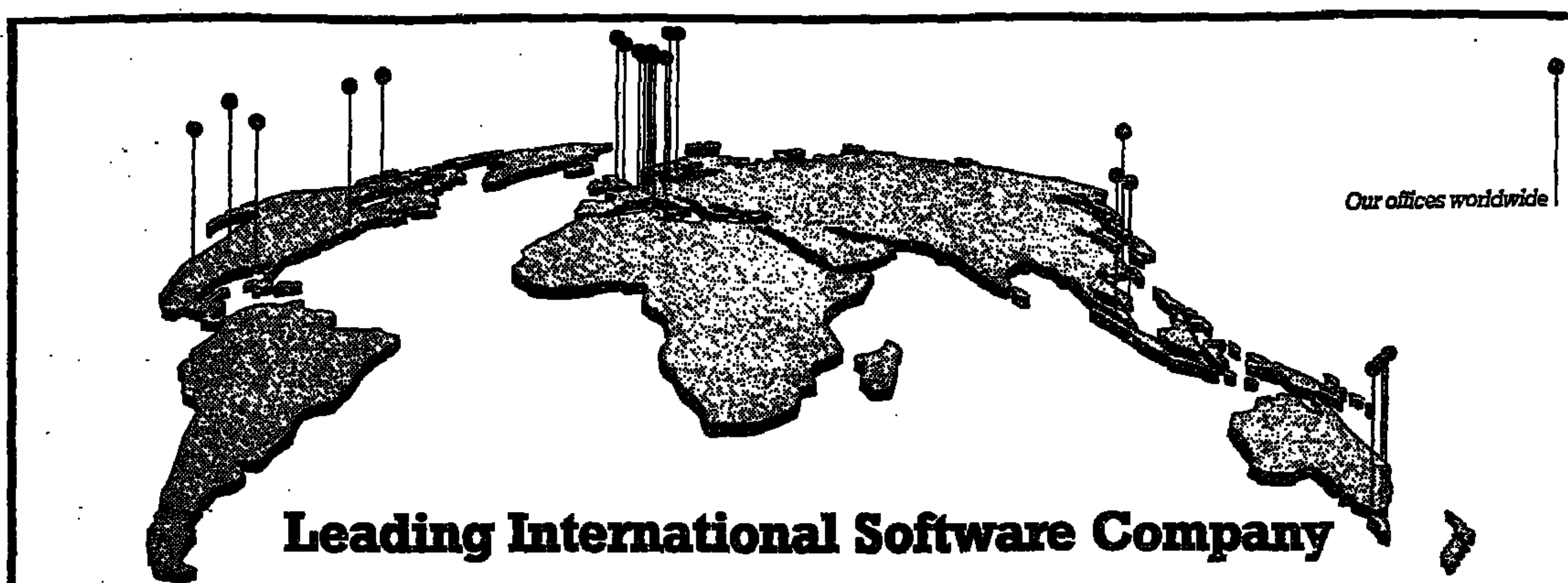
They seek a qualified accountant to take responsibility for all Company accounts and management information as well as project accounts for a variety of major assignments.

Candidates should be accustomed to working with professional colleagues in a project-based and client-oriented environment. Ability to innovate, as well as developing new computerised systems, is important together with responsibility for a small team in an informal atmosphere where achievement of good personal and professional relationships is crucial.

Applicants, probably in their thirties, should write, with a full cv and daytime telephone number, quoting reference 1467, to:

BinderHamlyn MANAGEMENT CONSULTANTS

Trevor Austin, Executive Selection Division,
Binder Hamlyn Management Consultants,
8 St. Bride Street, London EC4A 4DA.



Leading International Software Company

Logica is the largest UK based independent computer software company. With an historic growth rate of 30% p.a., current turnover of £80 million and over 2,300 staff, the group is expanding its Finance function both at the centre and in its subsidiaries in order to meet the challenge of further rapid growth.

We are therefore looking for highly motivated accounting professionals with sufficient experience to make an immediate contribution and with the personal qualities to be capable of growing with the Company.

FINANCIAL CONTROLLER
C. £25k + car

Reporting to the Corporate Financial Controller, this key role is responsible for implementing financial policies and controls, and for planning, forecasting and performance review of a group of UK and overseas subsidiaries.

The successful candidate will be a graduate and qualified Accountant, aged 30-35, preferably with experience in a hi-tech or professional services environment.

FINANCIAL MANAGERS
C. £20k + car

We are seeking four qualified accountants to become Financial Managers. After initial training at the centre, each will be appointed to a major UK subsidiary and be responsible to its Chief Executive for financial control, planning and performance monitoring.

Aged at least 27 and ideally graduates with good post-qualification experience, candidates should be looking to play a major role in the management of complex and rapidly growing businesses.

For ambitious qualified Accountants, this high technology environment offers a rare and challenging opportunity with substantial scope for individual career development.

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Please either ring for an application form or write with full C.V. to Mary Crowley, Personnel Officer, Logica plc, 64 Newman Street, London W1A 4SE. Telephone: 01-637 9111.

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FINANCIAL ACCOUNTANT

SENIOR MANAGEMENT POSITION

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Location: Central London.

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Please reply in confidence to: Joanna Corr (ref 5031).

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They now seek a Financial Controller to further strengthen their management team and contribute to the decision making process on a broad front. Managing a sizeable accounts team, responsibilities will include financial and *management reporting, investment and cash* management, development of the operating audit function and the integration of a major new computer *development programme recently undertaken.*

The successful applicant will be a qualified accountant, aged 28-40, with at least 5 years' post qualifying experience and who can demonstrate a successful track record within a commercial environment. *A high degree of initiative* and commercial acumen as well as the ability to communicate at all levels are personal qualities held to be as important as technical ability.

Interested applicants should write to Philip Rice MA, ACMA, Executive Division, enclosing a comprehensive curriculum vitae, quoting ref: 327 at 39-41 Parker Street, London WC2B 5LH.

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Assistant Financial Accountant

LONDON c.£14k

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Applicants should have experience of working in a large organisation using a computerised accounting system and they should be used to dealing with staff at all levels. Experience of preparing statutory accounts would be advantageous.

Salary is competitive and the benefits will be those normally associated with a large progressive organisation.

If you are interested, please write giving full personal and career details, along with your current salary to: Senior Personnel Officer (HQ Services), British Gas, 59 Bryanston Street, London W1A 2AZ, quoting reference FIN/10210/013.

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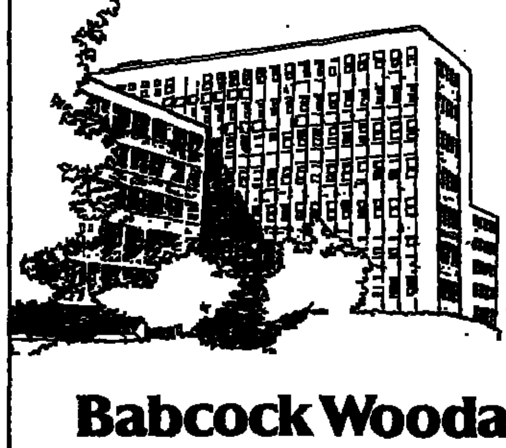
British Gas

Business Analyst

Our Company is a worldwide process plant contractor, and a wholly owned subsidiary of Babcock International, a major British based engineering group. At present we are working on £multi-million projects for the CHEMICAL/ENERGY/INDUSTRIAL/NUCLEAR *industries, and to support these commercial activities*, we need a Business Analyst to take specific responsibility for performance evaluation, business planning, development/acquisition studies, and competitor reporting.



In this highly visible role as a senior member of the finance team, you will need several years' experience in the above areas, ideally within an industrial environment, highly developed analytical skills, a good knowledge of financial modelling techniques, together with general accounting knowledge and background. The successful applicant, who will hold a *formal accounting qualification*, will attract an above average employment package, with generous relocation expenses if appropriate.

Please reply in writing with full CV to:
Mr C E Foreman, Personnel Department.

Babcock Woodall-Duckham Ltd
A Babcock International company

Woodall-Duckham House,
The Boulevard,
Crawley,
Sussex RH10 1UX.

Babcock

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This medium sized subsidiary of a major distribution group seeks an energetic and ambitious accountant for a challenging development role. The *Senior Management Accountant will work closely* with the Managing Director, advising on all financial matters, interpreting results and generally reviewing systems and procedures to improve cost effectiveness. As this role will develop into a Financial Controller/Director position applicants should be articulate qualified ACA/ACMA's, 28-32, with a hands on approach, man management skills, and a proven record of achievement. Ref: CW. Apply London office.

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Only those applications which provide a full c.v and career history will be considered and they should be submitted to: *The Managing Director, Milk Products (NZ) Limited*, New Zealand House, Haymarket, London SW1Y 4TD with the envelopes marked CA/Private and Confidential. No agencies.

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Ref: C.A./348

For further details phone or write quoting reference to:

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Accountancy Appointments

Legal Notices

BANQUE DE CREDIT INTERNATIONAL, GENEVE
EN LIQUIDATION CONCORDATAIRE

En vue de la distribution d'un sixième et dernier dividende de 1,7%, le tableau de distribution est déposé aux adresses suivantes:

à Genève au Siège de la Banque, 15, rue du Jeu-de-l'Arc, 1207 Genève (prière de prendre rendez-vous au préalable—téléphone 35 52 75) et au Greffe de la Cour de Justice;

à Londres chez Deloitte Haskins & Sells, 128 Queen Victoria Street, Londres EC4P 4JX.

Vu l'article 34 OTF, ce dépôt s'effectue pendant vingt jours, délai au cours duquel les créanciers peuvent prendre connaissance dudit tableau et, le cas échéant, former une plainte auprès de la Première section de la Cour de Justice civile de Genève, autorité de concordat.

1207 Genève, le 5 juillet 1986
Les Liquidateurs: CHARLES WINTSCH
DELOITTE HASKINS & SELLS S.A.

The following is a "free" translation of the above official notice.

INTERNATIONAL CREDIT BANK GENEVA
IN LIQUIDATION UNDER SCHEME OF ARRANGEMENT

With a view to the distribution of a sixth and final dividend of 1.7%, the Distribution List has been lodged at the following addresses:

In Geneva at the Head Office of the Bank, 15 rue du Jeu-de-l'Arc, 1207 Geneva (please make an appointment to view beforehand by telephoning (Geneva) 35 52 75) and at the Record Office (Greffe) of the Court of Justice;

In London at Deloitte Haskins & Sells, 128 Queen Victoria Street, London EC4P 4JX.

In accordance with article 34 OTF, the List will be lodged for a period of 20 days from 5th July, during which time it is available for inspection by creditors who may, if necessary, lodge a complaint with the Authority for the Scheme of Arrangement, i.e. the First Section of the Civil Court of Justice in Geneva.

1207 Geneva 5th July 1986
The Liquidators: CHARLES WINTSCH
DELOITTE HASKINS & SELLS SA

No. 002309 of 1986
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF GOVETT ENTERPRISE INVESTMENT TRUST PLC
AND IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated the 23rd day of June 1986 (inter alia) confirming the reduction of the capital of the above-named Company from £3,075,000 to £1,027,083.75 and the Minute approved by the Court showing with respect to the capital as altered the several particulars required by the above-named Act were registered by the Registrar of Companies on the 27th day of June, 1986.

Dated the 9th day of July, 1986.
LINKLATERS & PAINES
Solicitors to the Company

No. 002628 of 1986
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
Re: RAYBECK PLC
AND Re: THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated the 9th day of June 1986 (inter alia) confirming the reduction of the capital of the above-named Company from £3,000,000 to £1,711,282.10 and the Minute approved by the Court showing with respect to the capital as altered the several particulars required by the above-named Act were registered by the Registrar of Companies on the 12th day of June 1986.

Dated the 11th day of July 1986.
LINKLATERS & PAINES
Solicitors for the Company.

IN THE MATTER OF DIBA SHOWROOMS LIMITED
AND IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required on or before the 19th day of August, 1986, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned Philip Monjack, FCA, of 30 Eastbourne Terrace, London W2 6LF, the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 8th day of July, 1986.
P. MONJACK, Liquidator.

IN THE MATTER OF McADAM (BUTCHERS) LIMITED
AND IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required on or before the 8th day of August, 1986, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned D. Swaden, FCA, of 46 Rodney Street, Liverpool L1 9AA, the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 9th day of July, 1986.
D. SWADEN, Liquidator.

FINANCIAL TIMES
PUBLISHED IN LONDON • FRANKFURT • NEW YORK

INTERNATIONAL & BRITISH EDITORIAL, ADVERTISEMENT & CIRCULATION OFFICES

For Share Index and Business News Summary, Telephone 246 8026 (number preceded by the appropriate area code valid for London, Birmingham, Liverpool and Manchester).

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Company Notices

NOTICE TO THE HOLDERS OF THE US$25,000,000 FLOATING RATE NOTES DUE 1986 OF BANCO DE SANTIAGO

As part of a general restructuring of all external indebtedness (other than indebtedness specifically defined as Excluded Debt) of Chilean public sector and private financial sector obligors (including Banco de Santiago) falling due in the period January 1, 1985 through December 31, 1987, pursuant to certain Restructuring Principles agreed with the Bank Advisory Committee for Chile and communicated to the international banking community on June 28, 1985, it is the position of Banco Central de Chile (the Central Bank of Chile) and Banco de Santiago that the $25,000,000 Floating Rate Notes due 1986 (the "Notes") of Banco de Santiago are subject to such Restructuring Principles, and that as a result the principal maturity of the Notes scheduled for March 27, 1986 be restructured along with Banco de Santiago's other external indebtedness falling due in the 1985-87 period covered by the Restructuring Principles so long as the Notes are held by foreign financial institutions for their own account.

To the knowledge of Banco de Santiago, each holder which is a foreign financial institution (as defined below) holding Notes for its own account has signed the Restructuring Agreement dated as of May 30, 1986 among Banco de Santiago as Obligor, the Republic of Chile, as Guarantor, the banks and financial institutions parties thereto and Irving Trust Company, as Servicing Bank (the "Restructuring Agreement"). Any Noteholder which is a foreign financial institution but has not yet signed the Restructuring Agreement is requested to contact Banco de Santiago or Irving Trust Company in New York (Telex No. 232241. Attn: Avelino Gonzalez/Eleazar Castellanos) as Servicing Bank for such Restructuring Agreement to arrange for such signing. For the purposes hereof, a "foreign financial institution" means any bank or finance company (including branches of such bank or finance company whether or not located in Chile) other than a Chilean Private Financial Sector Borrower (as defined in the Restructuring Agreement), Banco del Estado de Chile and Banco Central de Chile. In general, a Chilean Private Financial Sector Borrower includes (i) any commercial bank or finance company (including branches wherever located) organised under Chilean law (a "Chilean bank") and (ii) any commercial bank or finance company with 50% or more direct or indirect ownership by a Chilean bank, but excludes (among others) Chilean banks with 50% or more direct or indirect ownership by non-Chilean financial institutions.

Banco de Santiago has appointed Kredietbank S.A. Luxembourgeoise, with offices located at 43 Boulevard Royal, Luxembourg (Telex No. 2668 KB COU or 3418 KB LUX, Telephone No. 352-47971, Attn: John Venanzi or Fred Treinen), as special paying agent in respect of repayments of Notes not held for the account of foreign financial institutions. Each Noteholder which is not a foreign financial institution is requested to so certify to Banco de Santiago by completing a certificate in the form to be made available at the offices of the special paying agent and delivering the same to the special paying agent or to Banco de Santiago (Bandera 172, Santiago, Chile; Telex No. 340140. Attn: Enrique Fuenzalida). Each Noteholder which is a foreign financial institution but is not holding such Notes for its own account (or for the account of a foreign financial institution) is requested to so certify to Banco de Santiago by completing a certificate in the form to be made available at the offices of the special paying agent and delivering the same to the special paying agent or to Banco de Santiago.

Noteholders who have certified that they are not foreign financial instutions, and Noteholders who have certified that they are foreign financial institutions but are not holding Notes for their own account (or for the account of another foreign financial institution), will be repaid the entire principal amount due in respect of their Notes, together with interest thereon at the rate specified in the Notes. Banco de Santiago will make such payment, on the first business day in Luxembourg at least 30 days after the date on which Banco de Santiago receives appropriate certification from the relevent Noteholder as set forth in the foregoing paragraph, upon surrender of the Notes at the office of the special paying agent accompanied by a copy of such certification.

HERNAN SOMERVILLE S.
Coordinator of Restructuring of External Indebtedness
Banco Central de Chile

JULIO BARRIGA
Provisional Administrator
Banco de Santiago

TORAY INDUSTRIES, INC.
(formerly Toyo Rayon Kabushiki Kaisha)

S.G. WARBURG & CO. LTD. announce that a dividend of Yen 3.00 per share has been paid to shareholders on the books of the above Company as at 31st March, 1986 in respect of the six month period ended on that date.

Holders of Bearer Depositary Receipts issued by S.G. Warburg & Co. Ltd. may present Coupon No.7 for payment at:–

S.G. Warburg & Co. Ltd.	Banque Internationale
Paying Agency, 6th Floor,	à Luxembourg,
1 Finsbury Avenue,	2 Boulevard Royal,
London EC2M 2PA	Luxembourg

Payment will be subject to deduction of Japanese Withholding Tax and in London, United Kingdom Tax (where applicable) at the appropriate rates. Details of tax deduction can be obtained from the Paying Agents.

17th July, 1986

SOCIETE CENTRALE DE BANQUE
$ US 50.000.000
FLOATING RATE NOTES DUE 1995

For the six months, July 3, 1986 to January 4, 1987, the rate of interest has been fixed at 6 15/16 % P.A.

The interest due on January 5, 1987 against coupon nr 3 will be $ US 358,44 and has been computed on the actual number of days elapsed (186) divided by 360.

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Avenue Emile Reuter
LUXEMBOURG

NATIONAL BANK OF CANADA
$ US 100.000.000
FLOATING RATE DEPOSIT NOTES DUE APRIL 1995

For the three months, July 7, 1986 to October 6, 1986, the rate of interest has been fixed at 7 3/16 % P.A.

The interest due on October 7, 1986 against coupon nr 6 will be $ US 183,68 and has been computed on the actual number of days elapsed (92) divided by 360.

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Avenue Emile Reuter
LUXEMBOURG

RED NACIONAL DE LOS FERROCARRILES ESPANOLES
ECU 100,000,000
Guaranteed Floating Rate Notes due 2006
Unconditionally guaranteed by
THE KINGDOM OF SPAIN

Holders of Notes of the above issue are hereby notified that for the interest period from 17th July, 1986 to 17th October, 1986 the following will apply:

1. Rate of Interest: 7¼% per annum
2. Interest Amount payable on Interest Payment Date: Ecu 188.47 per Ecu 10,000 nominal or Ecu 1,884.72 per Ecu 100,000 nominal
3. Interest Payment Date: 17th October, 1986

Agent Bank
Bank of America International Limited

Personal

FINANCIAL TIMES SURVEY

Japan

Yasuhiro Nakasone has now emerged as a Japanese superstar. But his ability and inclination to move his country along the road to internationalisation are not limitless. Some big battles are about to be joined.

"To open, or not to open, that is the question"

ON JULY 6, Japan's conservative ruling party, the Liberal Democrats, was returned to office with the largest electoral majority it has ever known.

The victory was a singular political triumph for the Prime Minister, Mr Yasuhiro Nakasone, one cornerstone of whose policies over three and a half years in office is that his country must become more in tune with the rest of the world, in effect more internationally minded.

The legitimate question is whether or not the election proved that the nation is beginning to see things his way.

It is a conundrum with no easy answer. On the one hand a combination of complex circumstances, rooted in economic success and accentuated over the last nine months by the rapid appreciation of the Japanese currency, is causing the nation's commercial and financial power houses to re-examine the way they do business with the outside world.

The inexorable and accelerating trend is for Japan no longer to rely on its cost-efficient domestic base from which principally to supply foreign countries with goods and services.

Commensurately serious, though as yet far from successful, efforts are being made to render the Japanese market more receptive to products and ideas from overseas.

On the other hand, for all the prevalence of imported fads, lifestyles, fashions and music, in countless areas of domestic and foreign policy Japan continues to march to its own internal drummer.

No consensus has yet emerged for Japan to ditch or modify radically some of its patented

By Jurek Martin
Far East Editor, in Tokyo

strengths merely to serve the cause of internationalisation; the work ethic still lives to a degree exceptional by western standards; so do concepts such as loyalty, to the group, to the corporation and to the nation, acceptance of strong central government and its policies, suspicion of the foreigner and his strange ways, unless they can be clearly seen to be adaptable to, and in, Japan.

Foreign policy remains essentially self-effacing and the inherent national interest in the great global issues limited.

In many ways, Mr Nakasone is the symbol of this dichotomy. He has made a real splash on the world scene. The Tokyo economic summit in May showed him at his internationalist best, especially in his deft chairmanship of the meetings.

He seemed willing to subjugate Japan's narrowly-defined national self-interests to the cause of common action, not simply because the US required him so to do, though the US factor remains paramount in Japanese considerations, but out of the sense that traditional passivity was no longer enough. Japan, as he sees it, must be seen to participate fully, not merely to go along.

He would argue, too, that another of his initiatives over the last year has substantially contributed to the perception that Japan is not as insensitive as hitherto to foreign concerns that it pursues economic success regardless of the consequences elsewhere in the world.

This was the celebrated report on how to make the Japanese economy more internationally compatible produced by a special commission under Mr Haruo Maekawa, the previous Governor of the Bank of Japan.

Its findings were criticised outside Japan for being long on generalities and short on specifics. But in the measured Japanese process of decision-making (another ingredient not instantly susceptible to change) it probably did serve to identify problems and to give legitimacy to at least some proposed remedies as yet to be presented.

It is now probably incumbent on Mr Nakasone and, if he does not stay in office for much longer, his successor, to introduce policies under the Maekawa blueprint.

But to see Mr Nakasone as just "the foreign Prime Minister" is to misread the man totally. There is a nationalist strain in him that runs very deep. He does not want to see Japanese pride sacrificed on the altar of internationalisation.

There are alien concepts which he would like to see Japan imbued with—individual initiative and greater freedom of thought in education and science for example—but there are conservative values, of loyalty, respect for the aged, regard for the institutions of the state, including the Emperor, which he feels need restoring and re-emphasising.

It was, in this context, revealing that it was Mr Nakasone who brought about on April 29 the official celebrations commemorating the 60th anniversary of Emperor Hirohito's rule. Cynics suggested he was looking for political advantage ahead of the summer elections, going for a triple play (including the summit and the visit to Japan of the Prince and Princess of Wales) to put the nation in the right mood, and make it forget the depredations of the high yen.

Indeed, the correct date for the Imperial anniversary would have been December 25. But, for Mr Nakasone, it seems to have mattered more that the nation be seen to honour the Emperor, as an institution of the state, rather than pretend that he does not exist, as many modern Japanese now affect to.

In this approach, he does seem to be striking some responsive chords, not all positive. Overtly nationalist groups of the far right have sensed opportunities previously denied. One succeeded in embarrassing national foreign policy by producing a textbook for schools that glossed over some of the more shameful incidents of Japan's militaristic era and revived, with approval, the old Emperor doctrines of the turn of the century which the country's aggressive leaders come to use as justification.

The textbook's worst excesses were finally excised, but very late in the process and only after China and other Asian nations had been much offended.

Elsewhere, the younger bureaucrats and businessmen who are now rising to policy-making positions do seem more sympathetic to the Prime Minister's notion of a positive, rather than passive and introspective, nationalism. The evidence is still mostly to be found in conversation and not in action, but, if it does lead to a greater Japanese assertiveness, interesting possibilities of policy emerge.

A constant fear, very prevalent, understandably, among Asian countries, is that Japan might acquire the independent military competence it currently lacks, though this chance does appear remote.

A more likely consequence could be a refusal on Japan's part to accept the slings and arrows of foreign complaints about its commercial practices at home and abroad. Some recent international negotiations, on semiconductors with the US for example, have pointed to a stiffening of Japanese attitudes.

In conventional foreign policy terms, Mr Nakasone's purpose has been to strengthen Japan's identification with the West. He would like to see Japanese participation in the Strategic Defence Initiative (SDI) and, with an election mandate under his belt, can probably bring this about.

Inside the ruling party and government, there are few dissenters to his overall view and those that harbour doubts, like Mr Kiichi Miyazawa, the LDP executive chairman, rarely voice them. The election also demonstrated minimal public sympathy with the arguments of the left-wing opposition parties that Japan be more neutralist.

But, beyond the East-West framework, Mr Nakasone has had little impact on Japanese thinking on foreign affairs, which is itself deficient in depth and understanding. There remains virtually no Japanese record for independent contributions, money apart, to the great issues of the world.

This can be explained away by the nation's history of isolation, as well as by the causes and legacy of its defeat in the Second World War, but 40 years of peace and progressive prosperity are making the excuse a little thin.

It is curious that a nation which is itself so well organised refuses to see that its organisational skills and talents might well be applied outside its borders. In this important sense, the internationalisation of Japan remains in its infancy.

On the home front, it may be that the real battle over internationalisation has yet to be joined. There have been substantial skirmishes, most obviously in the financial sector, in which the forces of openness have tended to prevail over those whose preference is the status quo.

It is no exaggeration to say, as the volume of foreign financial institutions flocking to Tokyo proves, that Japan's financial markets in 1986 have developed a degree of international compatibility far beyond the most optimistic prognoses of the start of the decade. Yet they have not entirely sacrificed some of their national characteristics.

But if finance is on the cutting edge of change, the knife is a little blunter in the industrial and social woodwork. Japan's lack of propensity to import, for example, can be, and has been explained endlessly, yet the bottom line surely remains the trust that members of an homogeneous society place in each other.

The Government of Mr Nakasone can, and has, exhorted Japanese companies to import more and consumers to buy more foreign goods and services, but neither is necessarily inclined so to do if the result would be a clear damaging of domestic interests and indigenous social relations.

In any case, it should not be forgotten that there are few products that Japan does not itself make to a higher standard than those produced elsewhere in the world. The appreciation of

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Power base shifts from the bureaucracy

Politics

JAPAN HAS just held a general election. Not for the first time, and probably not for the last, it was conducted in a domestic vacuum. No foreign issue can be said to have intruded, unless it was, indirectly, the rising of the yen.

Apart from the ritual invocation of foreign policy by the Prime Minister, Mr Yasuhiro Nakasone, and the equally pro forma denunciation of his foreign policies by the leaders of the opposition parties, nobody talked about the world outside Japan and Japan's place in it.

This may be a little unfair to Mr Shintaro Abe, currently the country's Foreign Minister and perhaps its next Prime Minister. He did occasionally discourse on foreign policy to his constituents in deepest Yamaguchi prefecture, not so much in specifics but in pointing out that since he had been in charge of it for the last 3½ years he was at least reasonably qualified to take over from Mr Nakasone.

It is axiomatic that it does not behove Japanese politicians to pay too much attention to external affairs. While the Diet is in session, MPs may have a little more licence to reflect on the wider world, but at election time and when back at home, such *interests* must be muted. MPs are expected primarily to look after the needs of their constituencies, and these remain quintessentially parochial.

This applies not merely to the would-be, or new representative seeking to establish himself. Even the most secure and illustrious must pay respect to this abiding rule. In the course of this election, for example Mr Kiichi Miyazawa, executive chairman of the ruling Liberal Democratic Party and another serious prime ministerial candidate, found himself under attack in his home district near Hiroshima, from members of his own party no less, for neglecting home base and focusing too much on international issues. His response was to point to all the new business that he had helped bring to his constituency.

This is reflected in the priorities that MPs themselves have *for their own political careers*. One of the curiosities of the Japanese system is that the Cabinet is reshuffled at least once a year, a process designed not so much to reward talent or ambition but to keep the various factions inside the LDP happy.

This means that there is a surprisingly good chance that a typical rank-and-file MP will enjoy a stint in the Cabinet, or at least a year or so as a parliamentary vice minister, a prospect that a backbench member of the British House of Commons cannot reasonably entertain.

Those with real leadership ambitions will, of course, angle for the prestigious ministries (finance, international trade and industry and even foreign affairs) and the prized senior party jobs. But not many fall into this category. Most clearly prefer the domestic departments of government where patronage benefiting their constituents can be most easily deployed.

Indeed, even those with their sights on the highest offices find it useful, to have served in a pork barrel ministry (agriculture, construction and so forth). Mr Kakuei Tanaka's legendary power base was built not so *much on his period as finance* minister, though this helped, but on his less visible terms with the ministries of construction and posts and telecommunications.

The present Defence Minister, Mr Koichi Kato, is, for example, spoken of as a future Prime *Minister*. Partly *US-educated* and with his early career spent in the foreign ministry, he seems to be following in Mr *Nakasone's footsteps*, since the Prime Minister is the only holder of the highest office previously to have served at the defence agency.

But Mr Kato confesses that his rural constituents would have preferred him to take a domestic ministry because the Japanese defence establishment does not, as yet, dispense much outside business, at least not on a par with that of the US. He will probably find it politic *so to do at some stage in the next few years*.

There are countless examples of a politician delivering the goods to his constituency. What Mr Tanaka did for rural Niigata is well known. The island of Shikoku, with just 4m inhabitants, is in the process of being linked to the main island of Honshu by no fewer than three bridges; it is no coincidence that two of them start in prefec*tures represented by former* prime ministers Ohira and Miki.

Nor is it chance that burdock root remains on the list of protected Japanese commodities, given that it is principally grown in the constituency represented by Mr Nakasone and another former prime minister, Mr Takeo Fukuda.

A politician's identification with his constituency also means a close relationship with local business interests, who will, in any case, provide the main source of his political funds. Obviously some of these *stretch beyond individual dis*tricts and are part of national pressure groups. Mr Abe, for example, has long been associated with the confectionery industry lobby. An MP may indeed represent several vested interests.

It goes without saying that almost all are Japanese, though there are exceptions. The Taiwanese lobby flourished under the prime ministership of Mr Eisaku Sato, O.S.C. also has connections, mostly commercial, with South Korea. But most of the public relationships are now ceremonial. It is hard, for instance, to believe that Mr Susumu Nikaido, the influential LDP vice president, takes much interest in the Japan-Paraguay friendship association, which he chairs, or that he has delivered much to General Stroessner's regime.

Rather like the US, the evidence of recent years is that the policy implications of these domestic connections are grow*ing in importance. There has* been a perceptible, if not dramatic, shift in the balance of policy-making power away from the bureaucracy and towards the politicians.

Mr Nakasone's willingness to challenge, and sometimes subdue, the civil service is the classic example of this, but mostly the process is much more subtle.

Many ministers, in their brief stints in office, do not influence policy much. Neither Mr Abe nor Mr Noboru Takeshita, the Finance Minister, have in 3½ years shown much of an *inclina*tion to put distinctive stamps on their departments; if a minister serves but a year he will have little opportunity to.

But, inside the Diet, there is a greater willingness for the politicians, representing their interest groups, to initiate Bills, rather than merely debate, and invariable pass, those drafted inside the bureaucracy. In this, an increasingly influential role *is being played by the LDP's* policy affairs councils in vetting and altering legislation emanating from the civil service.

The justification the politicians invoke for this assertion of power is that they, at least, are answerable to the public whereas the bureaucracy is not. It is an argument which is gaining credence, because it is apparent that the civil service is held in less respect than it was.

A factor in this is that more bureaucrats are becoming politicians, with about a quarter of the LDP's Diet ranks crossing over. *This has had* the effect of increasing the politicians' competence over legislation.

It has also contributed to some greater awareness inside parliament over foreign affairs, though the collective consciousness still remains low. For all its uniqueness, the Japanese political system does have points of comparison with other countries, in Europe as well as the US, but this is not appreci*ated inside Japan or outside*.

Moreover political debate over external issues remains as constricted as ever by the shibboleths of the past, be the subject defence spending, the non-nuclear principles or foreign aid. Even a strong leader like Mr Nakasone has found it hard to budge the politic in directions he wants to follow.

Perhaps more disturbing is the absence of discussion of serious alternatives to the Prime Minister's vision of Japan's role, beyond the standard denunciations of it from the left.

The Democratic Socialist Party in the middle is the only party with what might be called an original view of *its own of* some issues (e.g. defence), but even it is not much more than a variant of that of the LDP.

The end product, therefore, is a political system which is geared to a degree exceptional by international standards to looking after domestic concerns. *This it does supremely* well, if not always imaginatively. But to expect it to respond to, let alone anticipate, external considerations is, at this stage, probably asking too much.

Jurek Martin

JAPANESE ELECTION RESULTS
LOWER HOUSE OF THE DIET

	1986	1983
Liberal Democrats	300	250
Socialists	85	112
Komeito	56	58
Democratic Socialists	26	38
Communists	26	26
New Liberal Club	6	8
Social Democratic Fed	4	3
Independents	9	16
	512*	511

*One seat added in reapportionment.

Roses all the way for a victorious Prime Minister Nakasone as he places the flowers on the names of elected Liberal Democratic Party candidates at the party headquarters

Mr Shintaro Abe, Foreign Minister, with Mrs Thatcher during a visit to Downing Street early this year

Foreign Policy

Still much more talk than positive action

BY SOME counts, Japanese foreign policy seems to be operating quite smoothly. At a political level, relations with the United States remain good, a dialogue with the Soviet Union has been reopened after a long hiatus and the frictions with China, so evident last year, have at least been contained.

On other levels, there is something deeply deficient in Japan's conduct of its external affairs, summed up in a chronic inability to define issues or to take even modest leadership initiatives, be the arena the Middle East, Southern Africa or the international institutions, especially the United Nations, by which Japan sets so much store.

The best explanation to the dichotomy lies in the fact that Japanese foreign policy is pegged to a number of verities. Where there is predictability—the imperative of the US alliance, for example, and the concomitant need to be at arm's length from the Soviet Union—Japan can manage its affairs tolerably.

Where there are variables—in understanding a complex Third World or in divining the shifting politics that often characterise the international institutions—Japan is found at a loss. There is another rock to fall back on, the commercial imperative, but it does not always fit neatly into the picture these days.

Over the last year, with the possible exceptions of the mild Soviet rapprochement and the obligation of playing host to the summit, Japan's external energies have been most clearly applied on the multinational institutional front.

The departure first of the US and then of the UK from the United Nations Educational, Social and Cultural Organisation has left Japan bearing the brunt of the western effort to keep Unesco on some sort of track.

Similarly, at the last UN general assembly meeting in the autumn, it was Japan which tried to put together some consensus on how to make that institution more efficient.

The initiatives may have been laudable in principle, but it is the widespread view that both have been inexpertly pursued. The reform blueprint, admittedly somewhat hazy in concept, that Japan presented to Unesco in Sofia last November has simply not been followed through.

Above all, Japan has failed to find a plausible, acceptable alternative to Mr Amadou Mahtar M'Bow, Unesco's controversial director-general, either from its own doorstep (an Asian candidate is on paper next in line) or from its own ranks.

If Mr M'Bow continues in office, or if his successor is clearly chosen by him, then the cause of Unesco in western eyes will have been dealt a grievous blow. Japanese officials do not seem to know how to prevent this.

Similarly the cause of UN reform has become bogged down. The Japanese idea, of a wise men's group of persons of genuine international stature, commanded general support. But there was no real thought behind the idea—of what the group should focus on or, critically, who should serve on it.

A wave from Prsident Reagan as he arrived to see Prime Minister Nakasone at the Tokyo economic summit in May. Participants thought that Mr Nakasone performed deftly as chairman but had failed to project national interests. Below: Mr Amadou Mahtar M'Bow, Unesco's controversial director. Japan failed to come up with an acceptable alternative to him

Having contributed the proposal, Japan was content to leave the execution to others. It did not, for example, volunteer a Japanese of genuine distinction as a member. The exercise runs the risk of being sunk without trace.

It is a sad fact that though Japan expresses a belief in the international institutions it consistently refuses to match its financial input, now considerable, with quality personnel, a curious omission given the fact that it has as high a grade of national bureaucracy as any in the world.

Japan indeed has yet to produce an international civil servant of indisputable reputation, preferring, as it does, to keep its best talent at home. Until the defect is remedied, it is hard to see a quantum leap in Japanese comprehension of international systems emerging.

This assertion of domestic values was also shown in sharp relief at the Tokyo economic summit last May. It was the near universal perception of the Japanese opinion-makers that Prime Minister Nakasone had fared badly, principally for failing to put a lid on the soaring yen and for putting Japanese Middle Eastern interests at risk by endorsing, and not suitably watering down, the anti-terrorist declaration.

It did not matter that the actual summit participants thought that Mr Nakasone had performed deftly as chairman. What counted was the sense that the Prime Minister has failed in the minimum goal of protecting national interests, as most narrowly defined.

Yet, by external yardsticks, too, both Mr Nakasone and his foreign policy team have often seemed too deferential to be credible. There was anger in the US that Japan so resolutely sat on the fence in the wake of the raid on Libya (though US discontent with Europe was undoubtedly greater).

There has been disappointment, if not surprise, in some European governments (not the UK) and in the Third World that Japan has taken so little interest in South Africa and has made it clear that it would only impose limited sanctions against Pretoria if others did so first.

There is frustration generally that Japan is so slow to consider increasing foreign aid, an important arm of foreign policy, as a way of discharging its international obligations.

Even this year's renewed delicate dance with the Soviet Union has been a circumspect minuet, constrained by both domestic and external factors. There was no breakthrough on the disputed status of the Soviet-occupied Northern Territories, nor is there likely to be, which leaves the two nations effectively talking about only peripheral matters (such as cultural exchange agreements).

It is undoubtedly true that the Soviet Union has mishandled badly relations with Japan over the years and has certainly missed out on harnessing Japan's intrinsic and eternal interest in Soviet raw materials. But the Japanese interest in breaking the Gordian knot is, with or without the US factor, now minimal.

Domestic Japanese political games-playing continues to make the Chinese connection less trouble-free than it might be. The latest incident—the adoption, albeit subsequently modified by the Education Ministry of a history school textbook compiled by an overtly nationalist organisation—can hardly be seen as other than a gratuitous insult to Chinese sensibilities.

It is a testament to the extraordinary intricacies of the Japanese system that only belatedly did the Government in Tokyo realise that it was offending Peking and was thus forced into damage-control operations, which ought to have been unnecessary.

The risk is that unless and until Japan establishes itself as a nation capable of conducting foreign policy on bases not exclusively dictated either by Washington or its own peculiar *sense of domestic priorities it* will find itself constantly hoist on the petard of its economic success.

Even with the US, the absence of policy contributions beyond th immediate requirements of the alliance are beginning to cause problems. Having failed to establish positions that are identifiable, Japan is considered to have fortfeited the right to have any. At least Western Europe has yet to fall into this state.

If this is a harsh assessment, it is necessarily made in the light of all the talk in Japan about the *importance of playing* a wider role in the international community. For all Mr Nakasone's often bravura performances on the world stage, there remains far too little action, too little commitment of people and ideas, as well as money, beneath the rhetoric.

Much may be explicable by Japan's history, but this is an excuse which is wearing progressively thin.

Jurek Martin

' To open or not to open '

CONTINUED FROM PAGE 1

the yen may have reduced, or *eliminated*, Japan's *relative* cost advantage, but cost is by no means the only criterion that is applied in Japan.

It has, for example, been instructive that very few benefits of the higher yen have been passed on directly to the domestic consumer—yet the consumer has *hardly* complained at all.

Thus question of priorities extends to government policy-making. Japan has come under increasing pressure over the last year to stimulate internal demand and thus contribute more to world growth.

It has responded with a number of extremely finely tuned packages, the net impact of which so far has been negligible. What it has not done is to heed the macro-economic policy advice heaped on it. Indeed the election was noteworthy for the extent to which the Government was willing to abandon tax reform.

Japan resembles West Germany in this respect. There are domestic considerations which will not be abandoned overnight. In Japan's case, they include a quasi-theological commitment to fiscal austerity and a chronic aversion to policy U-turns, combined with a preference for incremental policy change.

External pressure would have to be screwed up a number of notches for the creed to be modified—and *it might well* run into the sort of resistance that the previously mentioned more assertive mood in the country might compound.

This would not merely be obduracy, because there is invariably merit in the Japanese approach. For example, Japan has a low unemployment rate because it tolerates over-employment in the services sector, *most notably its* complex retail distribution network.

It is hard to maintain that Japan would be better off with a simplified distribution system if the price was unemployment on a western scale, as it could well be.

It is worth noting that virtually none of the above arguments, considerations and factors entered into the election campaign that returned so resoundingly Mr Nakasone and the LDP. It was a singularly issue-less and insular process, determined by organisation and underpinned by the real lack of alternatives to the existing regime.

It gave Mr Nakasone, for as long as he lasts, his party and the government bureaucracy licence to continue on its present path. But this course cannot be seen as simply internationalist.

It does have internationalist elements and it still has strong domestic ones, and it would be wrong to predict that the former will necessarily prevail in all aspects. This survey is designed to point to directions where it might, where it cannot, and where the balance of interests is in doubt.

Prime Minister Nakasone inaugurated on April 29 the official celebrations commemorating the 60th anniversary of the rule of Emperor Hirohito (right) who is 85. The Emperor, a well-known marine biologist, is seen inspecting a marine specimen at his biological laboratory at the Imperial Palace

Avalanche of aid requests

Why Japan's less rich neighbours in South East Asia feel that Japan is more concerned with catering to the powerful than with being kind to the poor

WHEN JAPAN agreed to lower tariffs on imported softwood plywoods, which come principally from North America, to 12.5 per cent in 1986, it reduced the tariff on hardwood plywoods, which come principally from South-East Asia, only to 17.5 or 13.5 per cent depending on thickness.

When Japan finally agreed to lower the tariff on boneless chicken, a Thai export, to 14 per cent, it lowered to 10 per cent the tariff on chicken with the bone in, which comes mainly from the US.

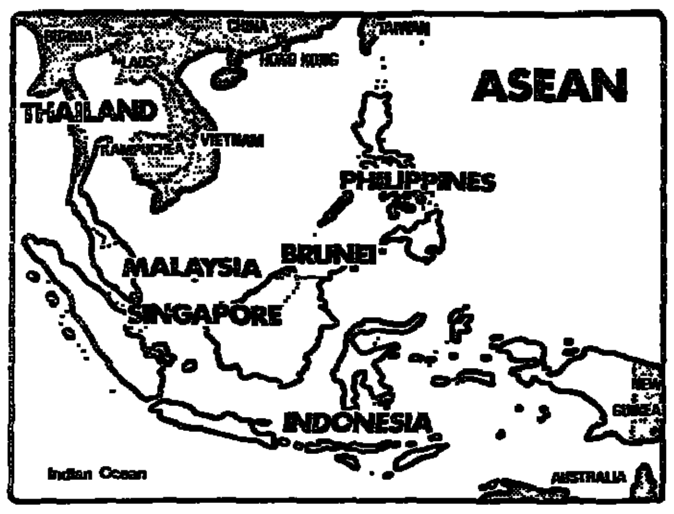
The better tariff treatment accorded Japan's developed trading partners reinforced a strong feeling among Japan's less rich trade partners—that Japan is more concerned about catering to the powerful than being kind to the poor.

The sense of gloom in Asia about trade relations with Japan has deepened in recent years. Even though the balance of trade runs in favour of the six member nations of the Association of South-East Asian Nations (Asean), bilateral trade volume between Japan and Asean has declined from a peak of $39.16 bn in 1981 to $31.45 bn last year.

Prospects for any short-term improvement in trade volume or composition seem bleak. In past years, Asean regularly gobbled up some 10 per cent of Japan's overseas direct investment. That proportion has steadily dropped to reach a low of 7.7 per cent last year, while Japanese companies built more factories and assembly plants in Europe and North America.

Japan still purchases an enormous amount of Asean's abundant natural resources, but prices are dropping and Asean complains more and more bitterly that Japan will not aid its development efforts by purchasing manufactured goods. At the Asean foreign ministers' conference in Manila last month, the Asean ministers singled out Japan for sharp criticism and expressed "grave concern" over trading trends.

"We hope that Japan doesn't regard Asean purely as a supplier of her raw materials and a dumping ground for her excess manufactured goods," said Mr Tunku Ahmad Rithaudeen, the Malaysian foreign minister.



($m)	1980	1981	1982	1983	1984	1985
Exports to Asean	13,118	39,162	37,085	34,830	36,158	31,452
Imports from Asean	24,460	23,875	22,094	19,723	22,023	20,205

While trade with Asean has declined, Sino-Japanese trade has stepped up sharply, suddenly making China Japan's second largest trade partner after the US. Yet the Chinese are far from happy, since most of the increase came in imports of automobiles and electronic goods from Japan.

China was left with a record $6bn bilateral trade deficit last year. The Chinese also complain that direct investment in China by Japanese companies has fallen far short of expectations.

As if to symbolise the unhappiness of Japan's less-developed trade partners, Japan's offical development aid (ODA) last year, at $3.8bn, dropped for the first time in many years, causing Japan to fall short of a five-year plan to increase aid. The decline came to 12.1 per cent, falling as a ratio to the gross national product from 0.34 per cent to 0.29 per cent.

The decline came in part for technical reasons. Multilateral aid fell by 34.4 per cent to $1.24bn because of the timing of special contributions to the International Development Association of capital replenishment programmes for the World Bank.

Bilateral aid increased by 5.3 per cent to $2.55bn, with bilateral grants increasing to 11.4 per cent. A foreign ministry official says that Japan's ODA this year was likely to increase by between 40 and 60 per cent, although this, too, is largely for technical reasons. The increase will stem mainly from the appreciation of the Japanese yen.

Japan's foreign aid programme began in 1958 as an extension of post-war reparation and remains heavily concentrated in Asia. In 1984, 66 per cent of foreign aid went to Asia, with 34.4 per cent to the Asean members.

It is for this reason, Japanese officials say, that Japan's aid programmes are dominated by low-interest loans, rather than grants, as is more common with other donor countries. Officials say that the nations of Asia are relatively developed compared with, say African nations, and that loans are a more appropriate form of assistance for industrial or infrastructural development projects, as opposed to programmes to insure subsistance in impoverished agricultural societies.

This reasoning, none the less, has failed to shield Japan from charges that it is stingy because while the ratios for foreign aid put Japan close to, if still behind, the averages of developed nations, Japan's quality of aid is far below most nations.

Japan is not giving much away at all, and Japan's capacity for foreign aid far exceeds its current annual allotments.

Japan's low-quality, 0.29 per cent of gross national product aid compares with much higher quality aid equivalent to 0.8 per cent in Scandinavia and the Netherlands, and 0.5 per cent in West Germany and France.

Indeed, Japan's low interest development loans, usually tied to the purchase of Japanese goods, have been roundly criticised as a form of export subsidy. Charges of kick backs to Philippine officials from Japanese companies aiming to capture purchase contracts has sullied the entire programme.

When Mr Shintaro Abe, the Japanese Foreign Minister, met with the Asean foreign ministers in June, he missed a chance to translate his expressed wish to extend "sincere and truly effective" co-operation with Asean. Although Mr Abe did say Japan would now consider broadening its ODA loans to the region to include local currency costs of development projects, he offered no specifics.

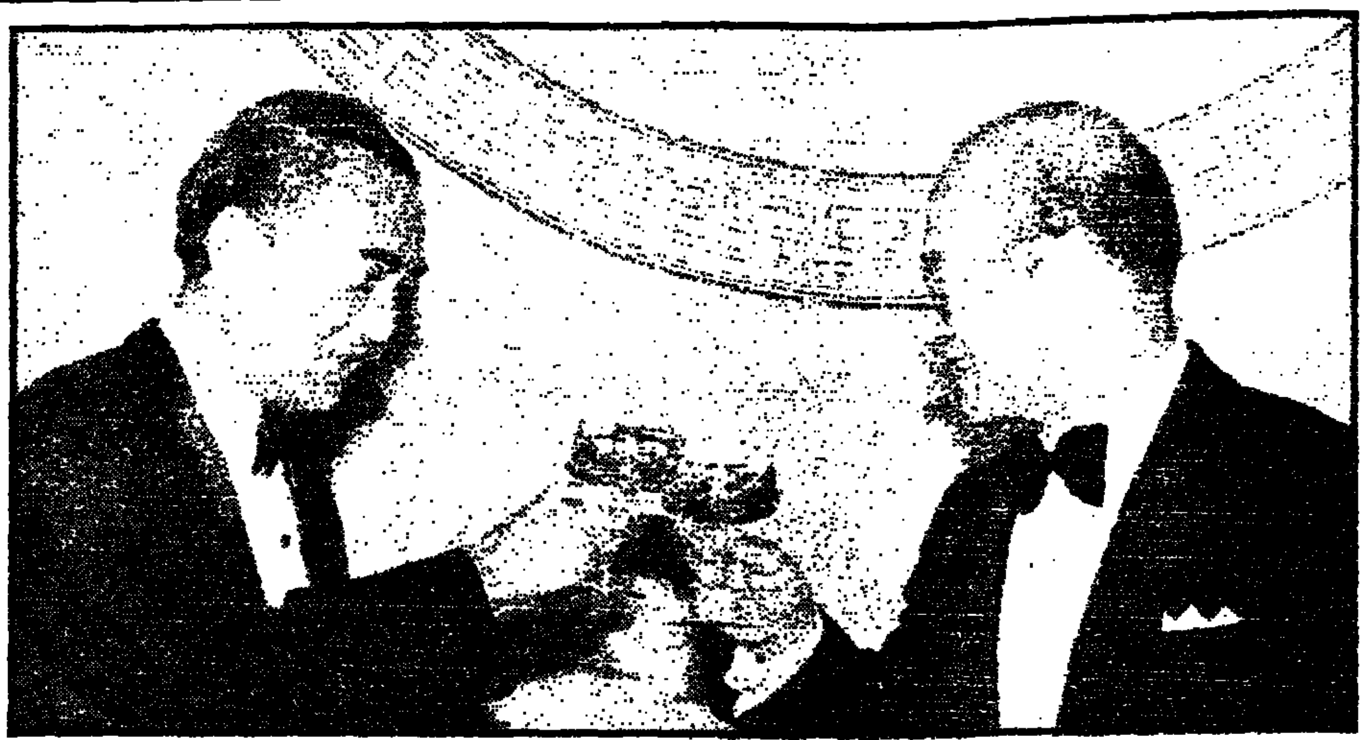
Japan is now being hit by an avalanche of aid requests from Asean. As the region's economy retrenches under the impact of falling raw material prices. Japan is also considering loans to help the Philippines close its huge fiscal deficit, and this would open a new type of aid programme.

The rise of the yen has brightened prospects that the volume of direct investment in the region will pick up. Investment-related inquiries at the Asean Promotion Centre in Tokyo are up sharply, although it is too early to know what the results will be. Part of the problem here lies in restrictive investment laws by Asean members, although both Malaysia and Indonesia have recently moved to improve conditions.

The outlook for trade and investment in China seems rather more dim. The Chinese have found a short-term solution by forcing a sharp cutback in Japanese imports. That has led to a 17.8 per cent drop in Japan's exports to China in the first quarter, and an overall 12.5 per cent drop in bilateral trade.

The Chinese habit of unilaterally cancelling contracts is unlikely to encourage Japanese companies about the attractiveness of investing in China. If you add to that the general gloom over access to foreign currency, and the difficulty in dealing with Chinese bureaucracy faced by all foreign investors, the chances that investment will increase soon is remote.

Steven Butler



A toast to improving relations: Japan's Prime Minister Nakasone (left) raises his glass to South Korean President Chun Doo Hwan during a visit to Seoul.

The wounds start to heal

Mr Nakasone's historic visit to South Korea improved political relations between the two countries, in stark contrast to the periodic storms that burst out previously

THE FIRST intellectual barrier to cross when looking at relations between Japan and Korea is that the people of these two nations are very different. The Koreans are emotional, hot-tempered, aggressive and individualistic next to their more reserved neighbours.

Yet the second barrier is that these two people share a remarkable amount of culture, language, and history.

The mixture of similarities and differences, combined with bitter resentment over Japan's colonisation of Korea earlier this century, can easily set off fireworks. Yet they also provide opportunities that can be exploited with finesse. When Prime Minister Nakasone made his visit to Seoul in 1983, he drank and sang folk songs with South Korean President Chun Doo-Hwan, touching a sympathetic chord that few statesmen in the world could match.

After Mr Nakasone's historic visit, political relations between these two neighbours have steadily improved. Diplomats on both sides say that relations have now become cordial and relaxed, indeed they are normal and neighbourly. This is in stark contrast to the periodic storms that burst out in previous years.

Some 20 years passed after the Second World War before tempers cooled enough to allow diplomatic relations to be established and a peace treaty signed, even then at the cost of massive demonstrations in Seoul. Mindful of the delicacy of sentiment in Korea, most Japanese governments practised a kind of benign neglect.

It took the outgoing Mr Nakasone to create a feeling among Koreans that their concerns were being taken seriously, and that they were finally being treated as equal. The Japanese Emperor's expression of "regret" for the past in the fall of 1984 brought the relations into a new historic period.

The improved relations show in a hundred different ways. In early June, when China raised a loud public cry about "distortions" of history in Japanese textbooks, the Koreans said publicly that they were merely concerned and watching the situation.

China and Korea are deeply angry about what they see as attempts to gloss over Japanese aggression and atrocities earlier in the century, but Korean diplomats reserved their strong expressions of protest to private channels.

They may still go public if their objections go unsatisfied, but for now they feel they are being heard and they have no desire to stir up public controversy.

Public opinion polls in Japan show that the Japanese opinion of Koreans as a people has started to rise, a result both of improved diplomatic relations, and Korea's stunning economic success, something the Japanese plainly admire.

There are still major outstanding issues. Korea's bilateral trade deficit with Japan this year is expected to reach $4.5bn, compared with $3bn last year. A Korean diplomat says this is "unacceptable."

The sharp increase of the deficit comes in part from the rise of the Japanese yen and the short term "J curve" effects. But it also derives from a sharp rise in Korea's exports this year.

Korea's trade deficit with Japan is in large part a reverse image of its surplus with the US, which exceeded $4bn last year. Many Korean exports to the US especially electronics, use Japanese parts and components.

But reverse trade flows are also expected. More Japanese electronics companies are coming to Korea to look for parts suppliers. Sanyo Electric in March became the first Japanese company to use Korean picture tubes for its 14-inch colour televisions.

The presence in Japan of some 700,000 Korean nationals who have chosen not to become naturalised Japanese citizens provides a perennial irritant. Korea argues that they should not be subject to fingerprinting, as are other resident aliens, or barred from government jobs or public school teaching, because many of the Koreans or their parents were forcibly moved to Japan during the war.

Still, even these problems, which have resisted all attempts at resolution, appear to have shrunk under the general improvement in bilateral relations. Unlike the past, says a Korean diplomat, relations with Japan are now marked by a "spirit of co-operation."

Steven Butler

The yen shock may be the catalyst for change

The sharp rise of the currency, says Martin Dickson, will have much wider long-term economic and social repercussions

Economy

SOME CALL it simply *endaka* (the high yen), others *yen shokku* (the yen shock) but both catchphrases encapsulate the same idea: the Japanese economy is at a fundamental and very abrupt turning point.

The catalyst is the 35-40 per cent appreciation in the value of the yen against the dollar since last September, which has made Japan's export industries suddenly less competitive internationally and made cheaper imports a threat to some low-tech domestic manufacturers.

As a result, the country's industrial landscape is in the early stages of a dramatic change, with the death knell sounding for some labour intensive sectors and many export-orientated companies planning direct investment abroad. The day of the Japanese multinational has arrived.

This restructuring of Japan's industrial profile (into a shape many would argue is overdue for such an advanced economy) may be the most visible effect of the rising yen, but the appreciation of the currency will have much wider long-term economic and social repercussions.

For its rise intertwines—partly cause, partly effect—with a growing acceptance in Japan that the export-led growth pattern of the past few years must now be replaced by expansion through the stimulation of domestic demand. And that could involve some fundamental and contentious changes to the framework's governing finance, taxation and general economic activity.

Much of the pressure for change has come from Japan's Western trading partners, concerned about Japan's large current account surplus (a record 3.6 per cent of Gross National Product (GNP) last year). But within the country too there has been a growing perception among policymakers that Japan's position as a major economic power—it now accounts for some 10 per cent of world GNP—means that the country must show a greater international vision than in the past, seeking simultaneously to reduce the external imbalance *and encourage domestic growth.*

These sentiments have found expression in a series of recent reports to the Government from official commissions on the structure of the economy: the most eminent being that headed by Mr Haruo Maekawa, the former Governor of the Bank of Japan.

"The time has come," it declared, "for Japan to make an historic transformation in its traditional policies on economic management and the nation's lifestyle. There can be no further development for Japan without this transformation." But Mr Maekawa did not accompany these ringing phrases with any practical suggestions for change, other than the broadest generalisations.

As a result, more cynical observers have been tempted to conclude that Japan is simply doing again what it has done in the past—making soothing noises to the international community while quietly going its own way.

This time, however, the rhetoric may be for real. For one thing, the rise in the yen is pushing the economy in this direction, irrespective of government policy. For another, there appears to be a greater political commitment to restructuring.

Mr Maekawa may not have produced any earthshattering revelations, but in a country where consensus is a vital part of policy-making, it has helped create an atmosphere more conducive to change. Indeed, Mr Yasuhiro Nakasone, the Prime Minister, said when introducing the report in April that Japan was embarking on its greatest change since the Meiji restoration in the 19th century, when it *first embraced* industrialisation.

However, the Government's practical response to all these exhortations remains uncertain. It faces two dilemmas: in the short term, how can it square a boost to demand with its policy of fiscal austerity? And in the medium-term, to what extent is it prepared to make structural adjustments which are widely acknowledged to be necessary, but which will be opposed by strong vested interests?

Amid all this agonising it needs to be remembered that the Japanese economy still looks remarkably robust relative to other countries—despite the dislocating effects of the rise in the yen. Inflation is negligible, GNP growth is above average and the public sector deficit is below average.

On top of this the current account remains in formidable surplus—a picture that is unlikely to change much for a long time to come. The rise in the yen will eventually have some ameliorating effect, but the immediate outlook is for a rise in the trade surplus this year—from $56bn in 1985 to nearly $85bn, estimates the Organisation for Economic Co-operation and Development (OECD). This is due in part to the "J curve effect" (any rise in the yen's value is initially reflected in increased dollar export prices) and partly to the fact that commodity import prices (especially oil) have been plummeting.

These immediate factors apart, the formidable inventiveness of Japanese exporters and the world's appetite for their goods will not change that readily. Many economists argue that the yen will have to rise substantially from the present Y160-Y170 to the dollar level to make much impact on the trade account.

But for all its strengths, the economy is slowing down. The Goverment recently reported a 0.5 per cent GNP contraction in the first quarter of this year compared to the last three months of 1985—the first quarterly fall for 11 years. GNP growth totalled around 4.2 per cent in fiscal 1985, against 5 per cent the year before.

The Ministry of Finance is still sticking to its projection of 4 per cent growth this year, but most other forecasts are substantially lower, with the majority bunched in the 3 to 3.5 per cent range.

The disagreement stems in part from the difficulty of judging the combined impact of the three major new forces that have been affecting the economy in recent months. One is the rise in the yen. Another is the slump in world oil prices, which is having a major beneficial effect, since raw materials and fuel account for some 70 per cent of Japan's imports. The third is the general downward trend of international interest rates.

The Bank of Japan, for its part, has lowered its discount rate from 5 per cent to 3.5 per cent since January, and there is a widespread expectation that it will make a further reduction over the next few months to a post-war low of 3 per cent.

In April, the Government announced a modest package of measures designed to offset the deflationary consequences of the yen appreciation, including "front-loading" the spending of 78 per cent of the public works budget in the first half of the year, utility rebates, aids to small businesses and looser controls on construction in residential areas.

During the election campaign, politicians in the ruling Liberal Democratic Party have called for a Y3 trillion (million million) (£12bn) boost to public spending through an autumn supplementary budget, but there is widespread scepticism that any package will be remotely near this sum.

For despite international exhortations for reflation, the administration remains fiscally very conservative. Western critics point out that Japan's general government deficit as a percentage of GNP is low by international standards, projected to be around 1.1 per cent

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FORECAST FOR ECONOMY IN FISCAL 1986

By Nikko Research Centre

Fiscal Year:	1984	1985	1986
Growth Rate (% Change)			
Nominal GNP:	6.7	5.9	3.8
Real GNP:	5.0	4.2	2.5
(1) Domestic Demand	3.8	3.6	3.8
(a) Demand from Private Sector	4.6	4.7	3.3
—Consumption Expenditure	2.6	2.7	2.9
—Housing Investment	0.4	3.7	5.6
—Equipment Investment	10.9	12.6	4.4
—Inventory Investment	86.0	(−)10.9	(−)6.7
(b) Demand from Public Sector	0.6	(−)1.4	6.1
—Gov't Expenditures	2.3	2.6	2.7
—Gov't Investment	(−)3.0	(−)6.9	11.7
(2) Current Account Surplus	49.2	18.9	(−)22.7
—Exports, etc	15.8	2.2	(−)4.4
—Imports, etc	10.0	(−)1.7	2.2
Mining & Mfg. Production	9.9	3.5	0.3
Wholesale Prices	0.2	(−)2.9	(−)8.5
Consumer Prices	2.2	1.9	0.3
Contribution Rate to Real GNP Growth Rate			
Domestic Demand	3.7	3.5	3.7
—Demand from Private Sector	3.6	3.7	2.7
—Demand from Public Sector	0.1	(−)0.2	1.0
Current Account Surplus	1.3	0.7	(−)1.1

BALANCE OF PAYMENTS OUTLOOK

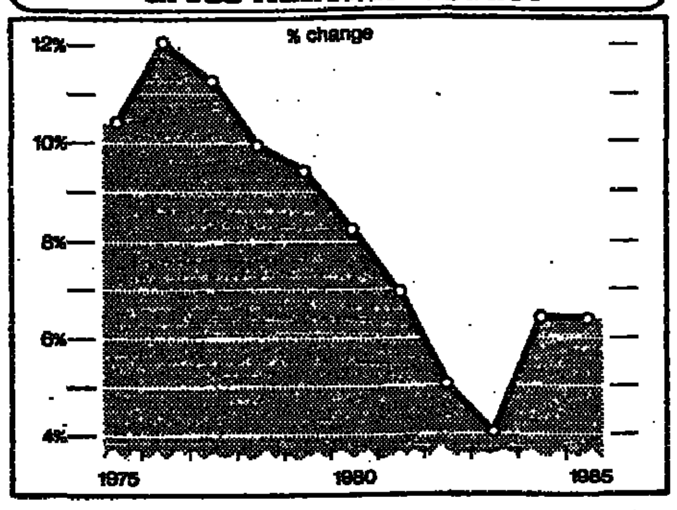
($bn)

Fiscal Year:	1984	1985	1986
Current Balance	37.0	55.1	88.9
Trade Balance	45.6	61.6	95.4
Exports	167.9	180.9	203.0
Percentage change	(11.4)	(7.8)	(12.2)
Imports	122.3	119.3	107.6
Percentage change	(5.2)	(−2.4)	(−9.8)
Long-term Capital Balance	(−)54.2	(−)73.1	(−)87.0
Basic Balance	(−)17.2	(−)18.1	1.9

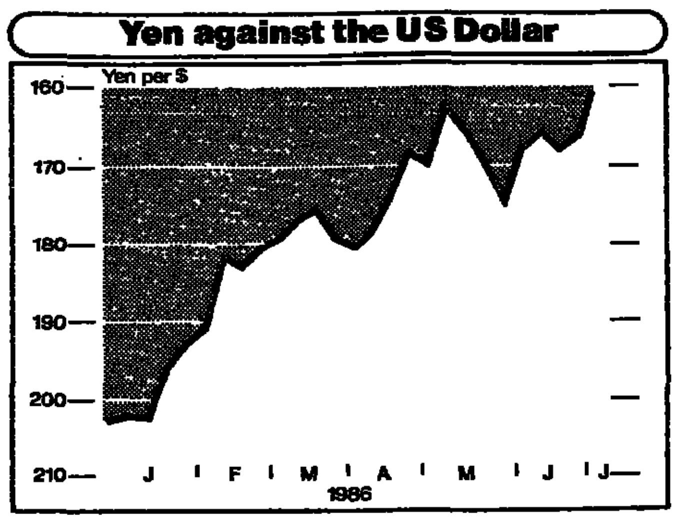
*Estimate. Note: (−) denotes deficit.

Japanese cars awaiting sale in a storage lot at Aurora, Illinois

Gross National Product



Yen against the US Dollar



Mr Harue Maekawa, the former Governor of the Bank of Japan, headed a commission which called for Japan to make a historic transformation in its traditional policies on economic management in which the export-led growth pattern (left) would be replaced by stimulation of domestic demand (right)

After the shock of the yen

CONTINUED FROM PREVIOUS PAGE

this year. However, the Ministry of Finance argues that this gives a misleadingly rosy view: a much larger central government deficit is at present offset by a surplus in the social security fund—a surplus which is likely to disppear given the rapid ageing of the Japanese population. (Those over 65 are expected to rise from 9 per cent of the population in 1980 to more than 15 per cent by 2000). Moreover, adds the ministry, the overall ratio of central goverment debt to GNP remains high by international standards, at 50 per cent.

So the emphasis within the Government (as well as the Maekawa commission and the Keidanren employers' organisaton) is not so much on additional state spending but on longer-term reforms to the economic and financial framework with the aim of encouraging increased private sector capital spending and private consumption.

One central issue is reform of the tax system, which is generally *accepted* to be anachronistic. It includes extremely progressive rates of income tax (which have helped produced Japan's remarkably even spread of national income), very high corporation taxes and low indirect taxes. The result is that tax nets a much lower proportion of national income than in other Western countries.

At the same time, there are substantial tax exemptions for small savers, particularly those using the national savings network of 23,000 post offices, whose total assets are as great as the country's 65 regional banks. So popular is the post office that it has more account holders than the entire Japanese population. And this imbalance in the system has helped reinforce Japan's remarkable propensity to save rather than consume: last year the ratio of personal savings to income was nearly 17.5 per cent, far above the OECD average.

It is widely accepted that Japan needs a less progressive income tax régime and the abolition of incentives to small savers, together with a move towards indirect taxation to increase the take and broaden the net. But will the Government grasp the nettle?

An attempt to introduce Value Added Tax in the late 1970s failed after stirring up strong political antipathy and an attack on the savings system would produce a similar reaction. The Goverment had indicated that tax reform would be on the agenda for 1987, but its resolve was thrown into doubt on the opening day of the election campaign when Mr Nakasone promised not to introduce large scale indirect taxes and not to dismantle the small savings breaks.

But whatever the Government's role, the market forces unleashed by the risen yen are already having a powerful impact on the economy, forcing it to greater efficiency. While industry is screaming now, with some economists speaking emotively about a "hollowing out" of Japanese industry, many believe that a consistently *strong* yen will ultimately prove beneficial.

In the short term, the currency appreciation has meant sharply reduced profits. In the year to March a cross section of manufacturing companies surveyed by the Wako Research Institute recorded an average 25 per cent pre-tax profits drop, with higher figures in the electronics sector. For example, Japan Victor Company, the consumer electronics business, reported a 54 per cent drop. For large companies this downturn is bearable, since they posted record profits in the previous two years. But smaller exporters have been hit hard.

So too have industries that suddenly face strong competition from imports, mainly in the areas of general goods and intermediate technology, such as steel products, building materials, textiles, clocks and toys. Imports of manufactured goods are up sharply (12.5 per cent year-on-year to the end of March), especially from Korea, Taiwan, Hong Kong and Singapore—lower wage countries with currencies closely tied to the dollar.

To take just one example, Korean hot-rolled steel coil is selling in Japan now for Y62,000 a ton, against a Japanese price of Y72,000.

All this has two major implications. First, Japanese industry will switch increasingly out of labour intensive, smokestack industries into higher value added ones employing fewer staff.

Second, there will be a big move to direct investment abroad. A recent report by the Ministry of Trade and Industry (MITI) estimated that the current ratio of overseas production by manufacturing industries was just 2 per cent, but about one fifth of companies expected to be producing more than 20 per cent of their goods overseas in 10 years time.

Some electronics manufacturers are already sourcing all their manufacture of cheap goods to Hong Kong and Singapore. Many other companies are *squeezing the myriad* number of small Japanese companies which have traditionally supplied their components and now face sharply lower profits or extinction.

Both these trends have implications for Japanese employment. Investment abroad will mean the export of jobs. Capital intensive production at home will mean fewer industrial posts. Japan's well-known lifetime employment system (which in fact covers only about 30 per cent of the workforce on the payroll of large companies) is now under threat.

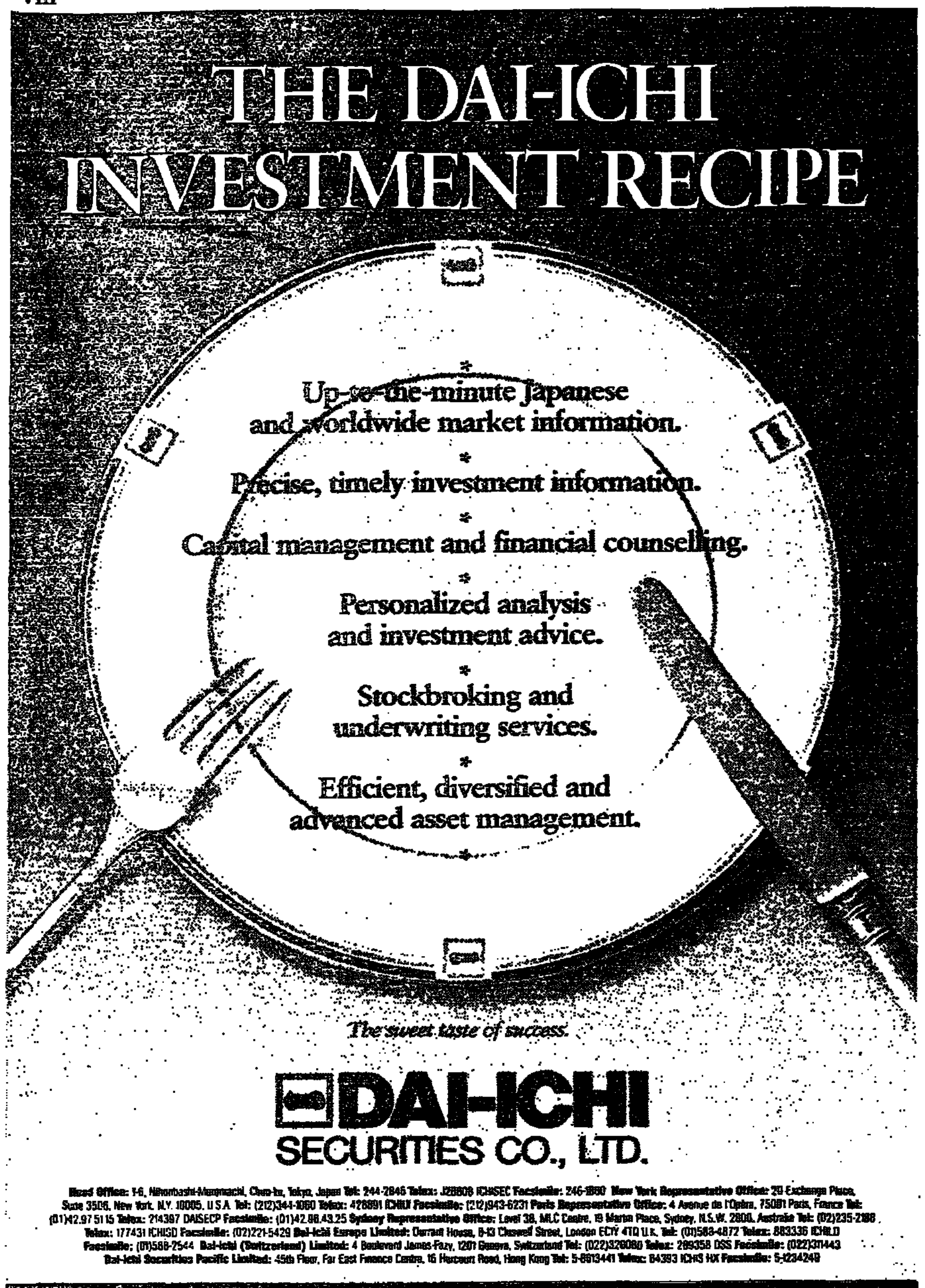
The generally more ferocious trading environment could make inroads into one of the more inefficient elements of the Japanese economy—its long and grossly overmanned distribution system, which has long acted as an informal social welfare system, providing jobs for the needy. And all this will be taking place at a time when the slow advance of female emancipation is bringing more women into the labour pool, albeit many of them as part-timers.

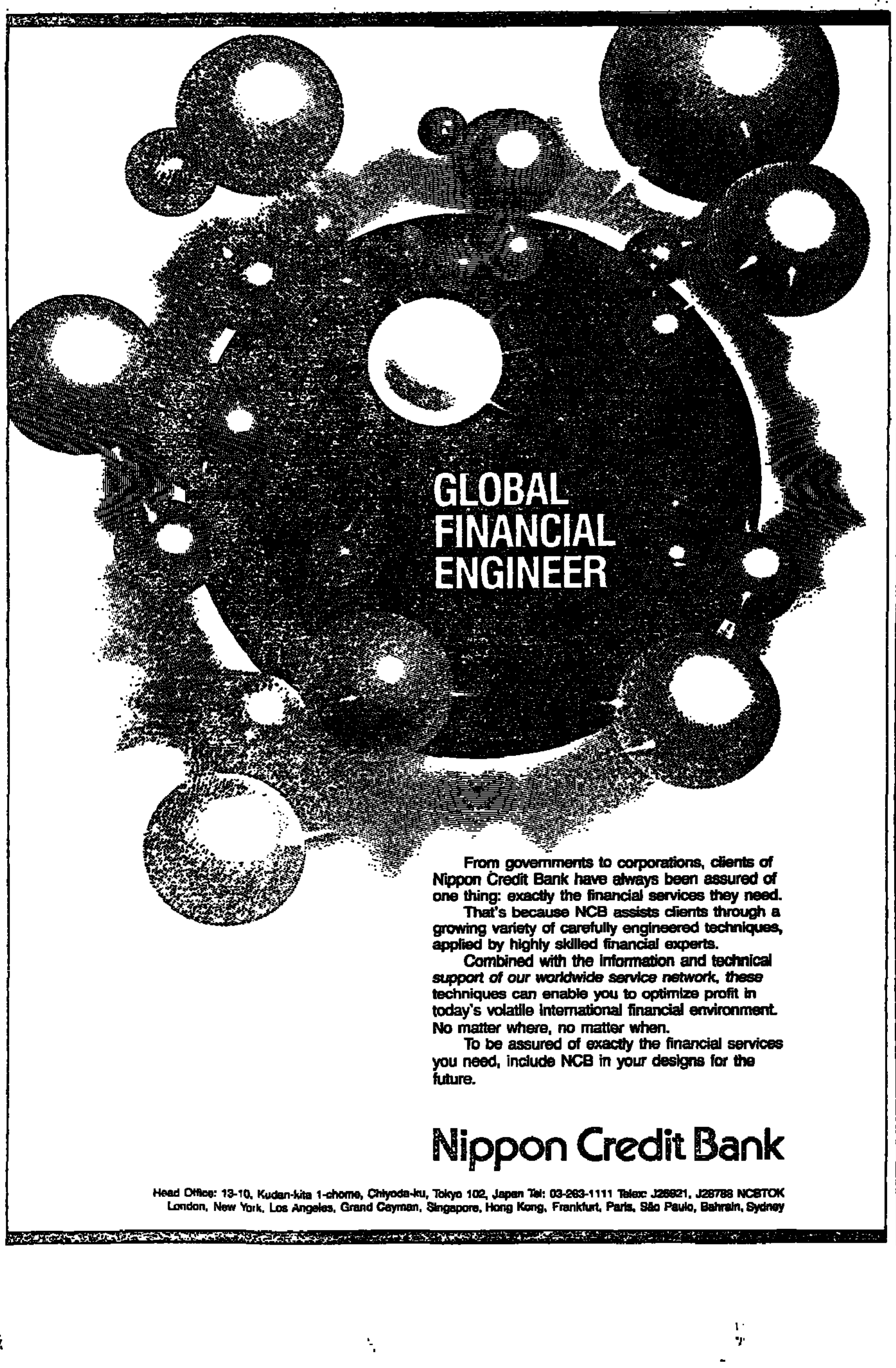
The result is expected to be rising unemployment. There has already been an increase, with the total reaching 2.9 per cent of the labour force in April, up from 2.5 per cent a year earlier. Some economists are predicting a gradual rise to about 5 per cent—low by recent Western standards but high for a country where a sense of community is such a vital part of national life.

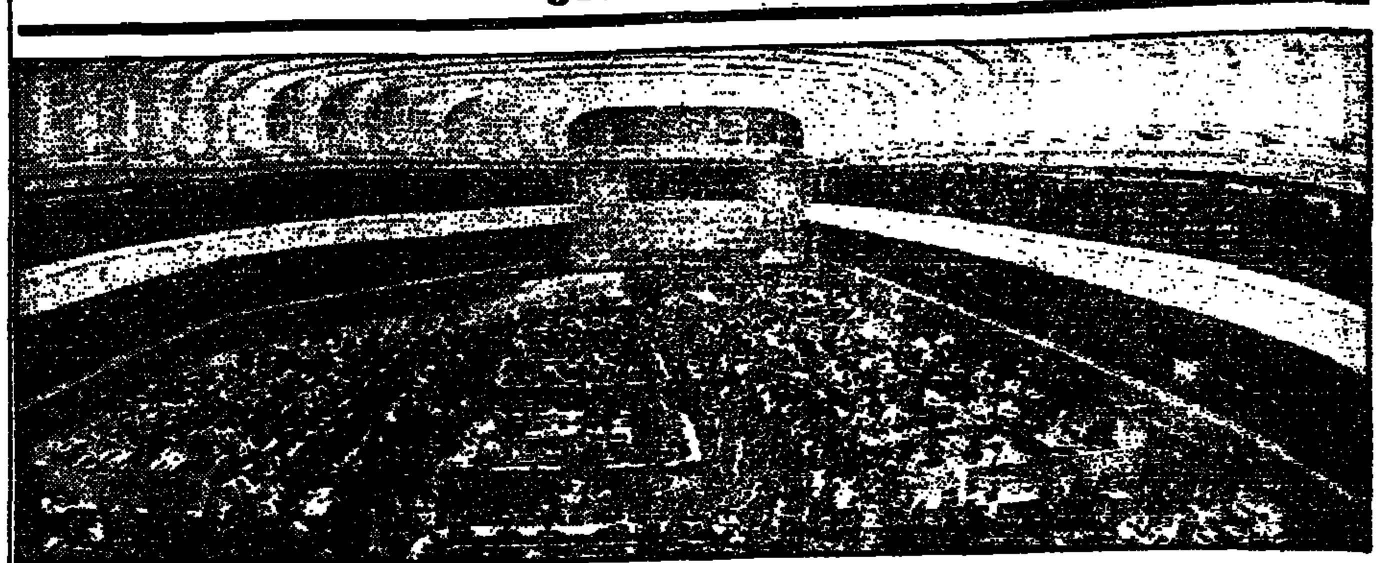
At the same time, however, employment will be expanding in the services sector. After four decades of extraordinary if self-sacrificing economic advance from the ruins left by the Second World War, the Japanese are now placing greater emphasis on the quality of their lives and environment.

There are calls for better housing, a reduction in working hours (many people still work a six-day week), for greater social amenities and improvements in the infrastructure (the smell from an inadequate sewage *system assaults the nostrils* in even the best-heeled areas of Tokyo).

All this could go a long way to providing the much-desired burst of domestic demands. But much will also depend on the Government smoothing the way with corrections to the imbalanced way the economic framework has developed over the past four decades. The Maekawa report may have crystallised informed opinion, but in a consensus political system like Japan's it is, as one economist puts it, "not easy to inflict pain." In the aftermath of the election, how able will the politicians be to deliver?







Tokyo's ambitions to become the third leg in a global financial trading network, along with London and New York, have made such financial institutions as the Tokyo Stock Exchange (above) a magnet for foreign houses

Investment

The foreigners move in

THE TOKYO investment community has never seen anything like it. Suddenly the Japanese capital seems to have been invaded by virtually all the world's significant investment banks, vacuuming up staff and sending salaries rocketing, though not yet to the giddy levels of London and New York.

The liberalisation of the financial framework set in motion some two years ago has made Tokyo a magnet for foreign houses as it prepares to become—according to conventional wisdom—the third leg in a global financial trading network, along with London and New York.

The Japanese capital markets still have a lot of liberalising to do before they can really be set alongside their British and US counterparts, but the blossoming of the past two years is none the less remarkable, given how long the country had clung to the inflexible, inward-looking financial system that rebuilt the economy after the Second World War and had little room for foreigners.

However, those attitudes have had to change in a world where Japan has become the largest creditor nation: Japan's net capital outflow last year surged to $50bn and total foreign assets at the year end totalled $129.8bn, up 73 per cent on the previous year.

The changes in the regulatory framework took off partly in response to international pressure, particularly from the US, which was concerned about the then yen/dollar exchange rate, the lack of sympathetic movement in Japanese markets to developments elsewhere, and the very limited use of the Japanese currency in international markets.

Meanwhile, the growing interdependence of the world's securities markets led to an insistence by Western financial organisations on reciprocal concessions in Tokyo to any granted to Japanese houses in London and New York.

But the spate of liberalisation measures still has a considerable way to go and three important questions have yet to be answered: How far and how fast will the Japanese be prepared to go to dismantle the remaining inflexibilities? To what extent will they be prepared to lower the barriers dividing their domestic financial institutions? And just how much of an impact will the foreign houses now piling into Tokyo make in competition with their large local rivals?

Moves to date include the liberalisation of foreign exchange transactions and a start on the lifting of interest rate ceilings, initially on larger deposits, with smaller ones supposed to follow later; deregulation of the money and capital markets, including an easing of restrictions on the issue of certificates of deposit; the introduction of money market certificates; the creation of a yen denominated bankers' acceptance market and partial liberalisation of the Euroyen market; concessions to foreign security houses, including, for a privileged half dozen, membership of the Tokyo Stock Exchange.

But the pace of change is not fast enough for some Western banking critics. "The Japanese seem to try hard. But when the result arrives it is often not what the Western ear has heard," says Mr Paul Hofer, first vice president and manager of Credit Suisse in Tokyo.

One of the major problem areas is the continuing controls on interest rates under Japan's post office savings system, which also gives small investors tax concessions on their deposits. An adequate short-term money market cannot emerge while interest rates are rigged, and Tokyo has yet to establish a Japanese treasury bill market. A commercial paper market is also some way off.

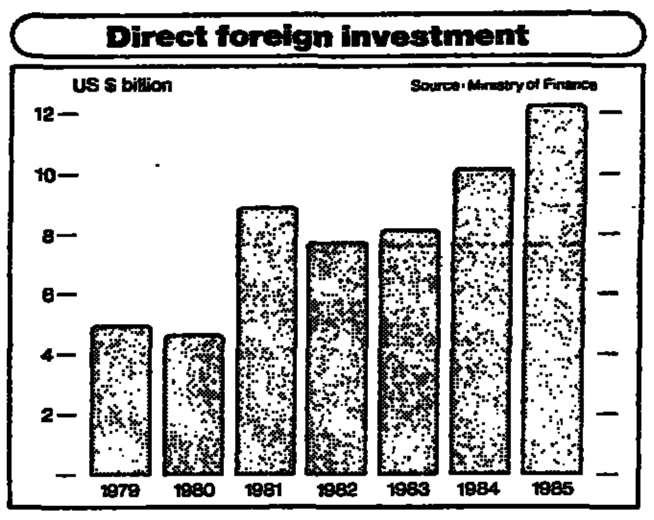
Although a year old, the bankers' acceptance market has been conspicuously unsuccessful and there are fears that regulatory restraints may have a similar effect on the Tokyo offshore market due to be established this autumn.

But for all these complaints, the foreign houses have been allowed to breach some of the barriers which still separate the country's domestic financial institutions.

When the Goverment restructered the national banking system after the Second World War it adopted the principle of specialisation, with different types of institution occupying protected market niches. In view of the then capital shortage, a distinction was drawn between long-term credit banks, offering long-dated debentures, and commercial banks (known in Japan as city banks) operating at the short end of the market under a system of regulated inerest rates.

With Japan awash with capital, the distincton is no longer particularly valid. The city banks have moved into the longer end of the market while the credit banks have been going offshore in search of business, becoming particularly active in the Eurobond market.

Direct foreign investment



The official barrier between the two is expected to fall before long, and will probably be followed by another post-war distinction, that between the city banks and Japan's seven trust banks. The latter have a wide range of asset management activities, the most important of which is running pension funds, which is developng into an immensely important growth area. Japan's pension funds now contain over Y20bn, a figure which could grow three or fourfold by the end of the century.

The division between these two has already been blurred by the Government's recent admission of nine foreign banks to trust bank status. This has annoyed the city banks which are keen to get into this lucrative area. At present they are enjoying few benefits from liberalisation, merely seeing margins squeezed by higher funding costs.

A third barrier is that between banks and securities businesses, enshrined in Japan's "Article 65," which is modelled on the US Glass-Steagall Act. Although expected to remain broadly in force, this hurdle may be lowered over the next few years.

Once again, concessions to foreign houses have already made some breaches in it. The Government recently activated a clause in a 1971 law that permits non-Japanese banks to own up to 50 per cent of a securities house. A substantial number are now taking advantage of this, leaving the remaining 50 per cent stake in friendly hands. Deutsche Bank, for example, has placed half the equity of its securities' offshoot with Bayer and Siemens.

This again has annoyed the Japanese city banks, which are forbidden from owning more than 5 per cent of a broker.

The Japanese securities houses, for their part, complain that the regulations which put foreign exchange dealings on the banking side of the divide puts them at a competitive disadvantage in a world of complicated currency swaps.

The anomalies of the present situation are summed up by the case of Citicorp, the US bank, which is now simultaneously a commercial bank in Japan, a trust bank and a securities firm. Britain's Barclays could follow suit soon.

The main focus for all the foreign banks is growth in the securities business, corporate finance and fund management rather than traditional commercial banking, where their fingers have been burnt in a struggle with low cost Japanese banks for a share of a shrinking loan market, as the national preference has switched towards securities as a financial instrument.

But how strongly will the foreigners be able to compete with the Japanese houses, led by Nomura Securities, which last year enjoyed profits of $1.2bn—more than any of the Japanese banks?

The leading foreign players in Tokyo all profess confidence that there is enough business to go round. Others are more sceptical. Mr George Curubi, of International Business Information, a Tokyo-based financial services management consultancy, suggests there is going to be a shake out, particularly among houses which lack strength in two overseas areas in which there is strong Japanese interest—US Government bonds and the Euromarkets.

"A lot of people are trying to put on fashionable financial clothing but their competition is only skin deep," he warns.

Some of the strongest competition should come from the six broking houses which have just become the first foreigners to be granted membership of the Tokyo Stock Exchange: Merrill Lynch, Vickers da Costa (now a Citicorp subsidiary), Jardine Fleming, Morgan Stanley, Goldman Sachs and S. G. Warburg. Four other foreign applicants were denied seats, which went to Japanese houses.

Membership does not come cheap, at more than Y1bn plus a host of start-up costs, and one of the main advantages is intangible: a seat is very important for a firm's prestige, giving an air of belonging, with a long-term commitment to the country. That matters in Japan.

Another advantage is that being in the second tier of foreign brokerage houses—those with Tokyo branches—means having to pay stock exchange members 27 per cent of commission for executing deals.

A major priority for Western houses seeking to sell foreign securities into the Japanese market will be a strengthening of their local distribution networks, and this is likely to favour firms which already have a reasonable client list.

A strong research capability—both in the Japanese market for sales abroad, and in Western markets for sales to Japanese clients—is perhaps the greatest advantage the foreign houses have as they take on the local opposition. There is at present little tradition of technical research in the Japanese broking houses. "Our strength," says one foreign banker, "is that we see the world through blue eyes."

As a result, many foreign houses see investment advice or discretionary fund management (the two are separate activities in Japan) as areas with great potential. But the Japanese opposition is only too well aware of this, and will be trying to catch up fast. "We have a two-year window of opportunity to show what we can do," says one UK investment adviser.

Foreigners cannot hope to get much domestic Japanese portfolio investment, given the close ties that exist between Japanese industrial and financial services companies. But they can hope to pick up a sizeable slice of overseas action if the Japanese investors start switching parts of their portfolio out of US Government bonds and into American and European equities.

The trust banks and life insurance companies, significantly, have just been allowed to invest up to 25 per cent of their funds abroad, as against 10 per cent officially before.

Another area in which the foreign houses see substantial growth is international mergers and acquisitions, as Japanese companies move towards direct overseas investment in the wake of the yen's appreciation.

However, the supposedly rich pickings offered by the opening up of the Japanese market could prove hard to come by, and require a great deal of patience.

Apart from the formidable competition of the local houses, the Japanese capital markets remain—despite liberalisation—hedged around with regulatory and practical constraints: for example, over half the Stock Exchange's transactions are made on a physical delivery basis, and there are no signs of an early end to minimum commission.

In a major recent study on world financial markets in 1995, Nomura Research Institute warned that Japan still needed "a radical and complete revolution in thinking" if it was to fulfil the functions of an international financial centre. A world of effortless and transparent 24-hour equity trading still seems some way off.

Martin Dickson

Privatisation

State edges out of the big four

A major privatisation programme is under way in Japan that should eventually place in the hands of private investors parts of four major state-controlled businesses: Nippon Telegraph and Telephone (NTT), Japan Tobacco Inc (JTI), Japan National Railways (JNR) and Japan Air Lines (JAL). (see page 10)

The programme has the strong personal backing of Mr Yasuhiro Nakasone, the Prime Minister, and the motivating forces are similar to those behind privatisation programmes in other countries around the world.

The aim is to free the four companies concerned from stultifying bureaucratic controls, making them more efficient and subject to greater competition. Despite Japan's general reputation for industrial efficiency, its state-owned industries have not been very highly regarded, and some—notably the railways—have unusually militant labour forces. At the same time, the sale proceeds should be a helpful addition to government funds in a country obsessed by its budget deficit.

If the aim of the programme is familiar in the West, some of the means by which it is being implemented will not be. In particular, the Government is changing the legal status of the companies to place them theoretically in the private sector without simultaneously offering shares in them to the public, or necessarily setting a timetable for this. At least one corporation—the railways—is likely to remain in this limbo-land for several years to come.

While the overall thrust of policy is the same for all four, their particular circumstances vary considerably:

Martin Dickson

Filling in operation for a fiscal black hole

Japan National Railways faces the Government with by far its biggest challenge, on two counts. First, privatisation has been strenuously opposed by the political opposition and by the main rail union, which sees it as a symbol of Mr Nakasone's attempts to cut back the power of unions and the role of the state.

Second, despite its technical excellence and good service, JNR has been a chronic loss-maker for two decades. "It's immensely efficient but a fiscal black hole," says one economist. In the year to last March alone it lost Y1,850bn (£7.5bn). In its present form, and with its current accumulated liabilities of Y37,300bn, it stands little chance of attracting any private investment.

The reasons for such startling losses include the political pressures of state ownership, which has made it difficult to shut down severely unprofitable routes, competition from air and road transport, and overstaffing, due in part to the strength of the National Railway Workers Union, one of the most militant labour organisations in the country.

Mr Nakasone has made clear that he attaches great importance to sorting out the railways and it is a moot point whether he regards privatisation of JNR as primarily an excuse for severe rationalisation or as an end in itself. Whatever the case, the supposed transfer of the railways to private ownership entails a drastic and extremely complicated carve-up of the system and heavy job losses.

JNR is being divided into seven separate operating companies. There will be six regional passenger railways (three on the heavily populated island of Honshu and one each for Hokkaido, Shikoku and Kyushu) and a national freight service.

However, several residual bodies will remain in state hands: research will be grouped in one and telecommunications in another. A third will own the system of high speed "bullet" trans (Shikansen) which are one of JNR's glories, and rent out their assets to the operating companies. A fourth residual body, a "rump" JNR, will take on much of the railway's accumulated debts and this the Government will presumably have to write off.

The bullet train in action. Despite technical excellence and good service JNR has been a chronic lossmaker for two decades

JNR estimates that some 93,000 of its staff of 276,000 will be surplus to requirements when the reorganisation comes into force, which is scheduled for April 1 next year. The way in which they will be redeployed gives an insight into the Japanese ability for group effort.

About 32,000 will have to be absorbed by the seven new companies, while a further 20,000 will be shed through voluntary retirement. The "rump" JNR will initially take on the remainder and will arrange to deploy them elsewhere in the economy, through retraining and their absorption by central and local government and private industry. The Railway Workers Union has recently been showing greater signs of flexibility towards the scheme.

The shake up will also involve the closure of numerous small, loss-making routes and a major reallocation of JNR's debts. The three companies serving the outer islands, with fewer opportunities for profit, will go independent without any hangover of liabilities, while the Honshu ones and the freight system will together assume what is deemed to be a manageable Y14bn.

The "rump" JNR will take on the rest, and then start reducing it through the sale of stock and of land surplus to requirements (a reallocation of resources which could help alleviate the chronic shortage of building land). But that will still leave the Government with an estimated Y16.7bn of liabilities.

JNR estimates that the new companies will be modestly profitable in their first year of operation. Although legally in the private sector from April, their shares will not be offered to the public until they have shown they can sustain profitability, and that may take some years.

In the interim, the Government will retain 100 per cent ownership, and it must remain open to question just how free a hand the management will enjoy.

Clearing the lines

NTT

Nippon Telegraph and Telephone. The far-reaching shake-up taking place in the Japanese telecommunications industry has parallels with those occurring in Britain. Japan is privatising its domestic telecommunications corporation (NTT) as the UK has done with British Telecom.

Like the UK, it is removing the monopoly powers formerly enjoyed by the state-owned corporation. The belief is that this more competitive environment should encourage greater technical innovation at a time when the world is being reshaped by the interaction of telecommunications and information technology.

To encourage competition in Japan, the Government has created two categories of company which can provide telecommunications services. Class one carriers, such as NTT, own their own circuits, but class two ones do not. The result looks like being strong competition for NTT.

So far three companies have obtained approval to become class one terrestial long line carriers—the Kyocera industrial group, an offshoot of Japan National Railways, and another company related to the Ministry of Construction.

Several power utilities are also looking at the possibilities, while other companies—including Mitsui and Mitsubishi—are examining networks relying on satellites. As for class two carriers, about 10 groups are interested in setting up national networks and about 50 are considering local ones.

"There is going to be fierce competition," says Mr Haruo Yamaguchi, an executive vice president of NTT.

The first three class one operators are expected to begin operations this autumn in the industrial heartland stretching from Tokyo to Osaka, serving mainly business customers. NTT, which is obliged by law to connect them to subscribers, says it is concerned that they are simply "skimming the cream" by concentrating on this area.

It has yet to negotiate with them over rates, and these discussions could prove difficult.

These services are likely to start just around the time the Government will be offering a first tranche of NTT shares to the public. NTT has been a private entity in legal terms since April of last year but the Government still holds 100 per cent of its stock.

It is expected to sell this off in tranches—12 per cent a year for five years is one possibility—though it will always retain 30 per cent of equity and no foreigner will be allowed to buy any shares.

NTT, which made a pre-tax profit last year of Y316bn on turnover of Y5,091bn, argues that privatisation will bring advantages as well as fierce competition, since it will free it from government restrictions on expansion.

Until now it has not been allowed to invest in subsidiaries to expand into new businesses, while parliament has had to approve its tariff increases (the Ministry of Posts will keep a check on prices after privatisation). It has also had to keep its salary structure in line with the railways and tobacco monopoly.

The competitive new environment should also put local suppliers of equipment on their toes and could lead the Japanese to source more of their equipment abroad. NTT is said to have been practising a non-discriminatory procurement policy since 1981, buying abroad when a supplier can match on price and quality.

A number of orders have been placed abroad since then, the biggest being a $250m contract with Northern Telecom of Canada for digital switches. However, the US Government seems confident that a substantial number of other orders are on the way.

Smokescreen of liberalisation

Japan Tobacco Inc is the country's monopoly tobacco manufacturer and its dominant position has long been a source of criticism from rival American companies and US trade officials complaining that they have been restricted from attacking the huge Japanese market (310.7bn cigarettes were sold in 1985).

Last year the Government moved to introduce a little more freedom into the framework under which the industry operates. However, the practical impact of its legislation has been marginal and, in the view of some cynical foreign observers was always designed to be so.

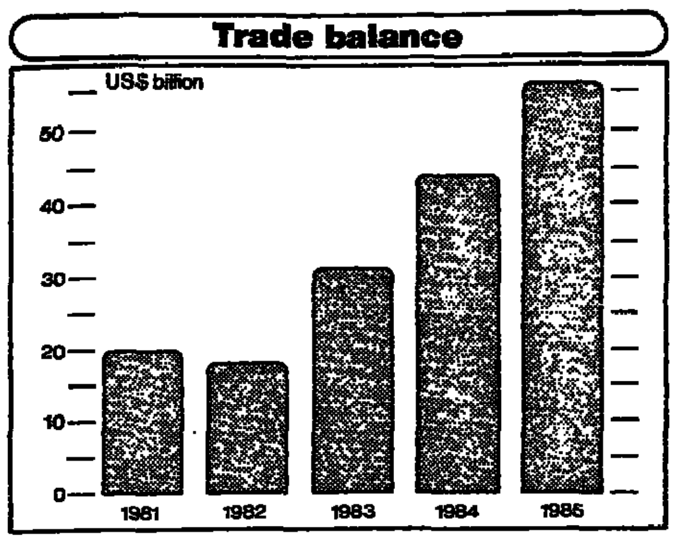
First, it legally transferred JTI from state ownership to the private sector. But since 100 per cent of the shares remain in government hands and no date has been set for any sale, the change of status means little. In any initial offering, less than one third of the shares will be sold to the private sector and the Government will always retain more than 50 per cent of the equity.

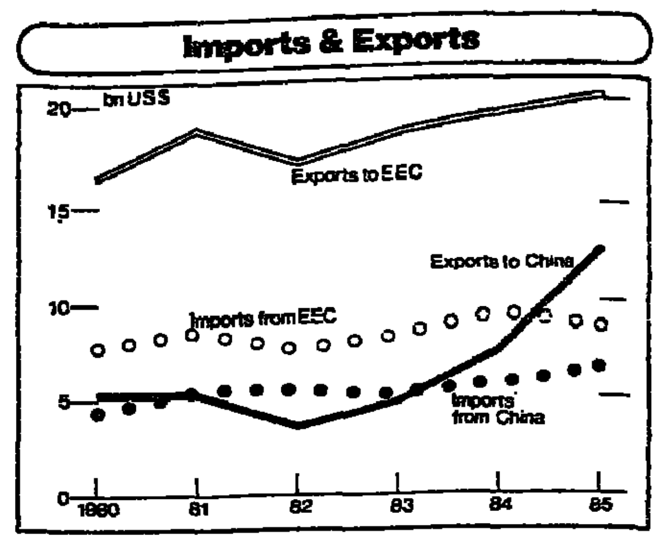
Second, it removed JTI's monopoly on the distribution of cigarettes. Foreign manufacturers, who formerly had to distribute their products through JTI, could now set up their own networks. However, since JTI has over 97 per cent of the market, the foreigners say they have had great difficulty getting independent distributors interested.

Mr Guy Aelvot, president of Philip Morris Asia, which has about 75 per cent of the foreigners' market share, says "privatisation of distribution is not really liberalisation."

The Americans wanted JTI to be stripped of its domestic manufacturing monopoly, arguing that this allowed it substantial price advantages, particularly given the levels of tax on imported cigarettes.

But the Government refused to do so, mindful of Japan's 80,000 tobacco farmers, who form an important element within the rural pressure groups that back the ruling Liberal Democratic Party. JTI—which made Y24.6bn of after-tax profits last year from tobacco on turnover of Y2,686bn—has to buy its tobacco from the farmers at prices high by world standards and the Government therefore wants to protect its position.





Imbalance at crisis level

FOR THE amateur historians among us, it is enticingly simple to conclude that in 40 years of peace Japan has finally achieved the worldwide economic domination that eluded it during war. This it has done virtually without an army and with a fuzzy, retiring foreign diplomacy that is almost quaint in the modern world.

Japan now has access to apparently unlimited raw material and energy supplies at near give-away prices. Even the *developed world has been made* to feel sickeningly like a colonial subject. Europe and North America plead with Japan to correct trade imbalances by asking Japan to buy more grapefruits, wine, and lumber.

The Japanese buy more US real estate, a bargain by Japanese standards, and US taxpayers' money begins to flow across the Pacific as the Japanese hold an increasingly large portfolio of US Government debt.

Manufactured products? Japan makes just about all its needs, with enviable efficiency and high quality, thank you.

Some 70 per cent of Japan's imports consist of raw materials and fuels. A full 96 per cent of exports are manufactured items, with 70 per cent of all exports consisting of machinery and industrial equipment.

Once upon a time, just a few years ago, Japan's answers to the cries of its trading partners had a ring of plausibility to them. *Lacking raw materials,* Japan naturally ran large trade deficits with the resource-rich nations, and large surpluses with the developed world.

Do not look at the bilateral balances, Japanese diplomats argued, look at worldwide balances. And when the trade account began to show unacceptable surpluses, they said, look at the current account.

Japan's tariffs were low (true on average) and markets open; *foreign companies just were not* trying hard enough.

The current balance began to get out of hand in 1983, when it hit \$20.8bn, and last year the trade balance hit an unprecedented \$46bn, while the current balance swelled to \$49.2bn.

Only the relative efficiency of the movement of international capital has prevented these staggering imbalances from already swamping the ship of world trade. As the US current account and budget deficits *soared, the Japanese have just* as quickly put up the financial backing by purchasing billions of dollars of US Treasury bills.

The profits from these investments have then come back to worsen the current account surplus by reducing Japan's chronic invisible trade deficit.

The issue in the meantime has moved far beyond the question of whether Japan trades fairly, as many Japanese continue to maintain, but whether the huge *trade imbalances* threaten the very foundations of the world trading system.

The conclusion is decidedly yes, and the realisation of impending crisis over the past year has begun to filter down ever so slowly and produce what many observers see as the first hint of significant action inside Japan.

Japanese policy-makers now chime together in full harmony about the need to change Japan's trade relations with the *world, to change its role as a* beneficiary of the world trade system, to a contributor to world economic growth. They agree, apparently, on the need for Japan to import more, export less, and to stoke the engines of growth by stimulating domestic demand.

The first, and possibly the most important element of this change, was the co-ordinated decision by the Group of Five industrialised nations to push up the value of the yen. "If we can maintain the high value of the yen for three years," says a senior Japanese official, "there will be a substantial restructuring of the Japanese economy."

The yen has now risen by about 40 per cent against the US dollar (far more modestly against European currencies), and the early effects are just as predicted. Riding the now-famous "J" curve, the trade surplus has worsened.

Japan's trade surplus in the first quarter more than doubled compared with the same period of the previous year to reach \$12.46bn; in yen terms, the surplus rose by 50 per cent to reach Y2,333bn.

The failure of the trade balance to improve even in yen terms is due in part to the international fall of energy and raw materials prices.

Imports by volume rose by 3.6 per cent in the first quarter; they rose by 1.7 per cent in dollar terms, yet fell by 23.9 per cent when converted to yen values.

None the less, the effects of the higher world-wide price of Japanese goods is beginning to tell. Exports in dollar terms rose by 18.2 per cent in the first quarter. Yet volume was flat, and value fell by 12.3 per cent in yen terms.

The failure of export volumes to be affected more drastically, despite what in theory should be a sharp rise in dollar prices, gives *some hint of how* resilient Japanese exports are. Nearly every day a major Japanese manufacturing company reports a decline in earnings due to the higher valuation of the yen.

Most exports are priced in dollars, and the manufacturers are getting fewer yen. Still the declines come after two years of record profits for Japanese companies, and they clearly have plenty of fat to burn through.

Exports now account for more *than 50 per cent of the business* of Japan's precision instrument, automobile, and home electric appliance manufacturers. Companies like Sony, Hitachi, Nissan and Toyota cannot simply sit by and watch their market share decline. A lifetime employment system makes it difficult to reduce labour costs.

Across the board, companies have resisted raising prices to compensate for the rising yen, and what is emerging may be a *leaner, but indeed highly* competitive beast. Witness the 90 per cent surge of Japanese vehicle exports to the EEC so far this year. What is good for Japan as a nation, may not work for its leading companies.

Japanese manufacturers have established a firm international reputation for high quality and innovativeness across a range of products from consumer electronics and automobiles to machinery and industrial equipment. They established those markets during an era when the cheap yen gave them an obvious price advantage.

They are unlikely to be pushed from well-established positions, particularly at the quality end, simply due to price increases. In many cases, Japanese companies have already smashed the competition.

That revaluation of the yen alone will not right the problem that has become part of the stock wisdom of Japanese officialdom, and there are encouraging trends in other areas. Japanese direct foreign investment overseas has been on a steady increase.

The largest area of increase in recent years has been in Europe and the US, where the Japanese have set up assembly operations for automobiles and consumer electronics both to avoid protectionist barriers and to be closer to the markets.

With the rise of the yen, these *overseas plants* have become far more price competitive. A Nissan official recently entertained the notion that it might be profitable to import a US-manufactured Nissan car into Japan.

More to the point, a string of Japanese companies have recently announced plans to build new electronics plants in South-East Asia, particularly in Singapore and Malaysia, not just to service local markets, as in the past, but to export finished and semi-finished goods to Japan and elsewhere.

These overseas manufacturing bases, if they continue to grow, will inevitably serve to stem the pressure of exports coming from Japan itself and to ease trade imbalances. But by how much? No one believes any more that a higher yen and a modest rise of Japanese overseas investment will be enough to balance a trade surplus in excess of \$50bn, even in the long run. In the short run, Japan's *trade partners are crying out for* relief.

A recent White Paper on international trade issued by Japan's Ministry of International Trade and Industry set four conditions needed for Japan to increase imports of manufactured goods: a sustained strong yen, greater foreign investment and technology transfer by Japanese businesses, further efforts to open Japan's markets, and last, but far from least, effective efforts to stimulate *domestic demand in Japan.*

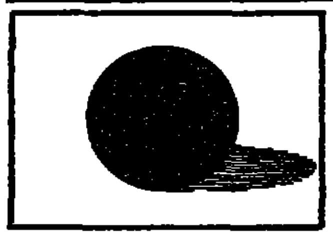
It is these latter two questions that still provide the greatest obstacles. Except for isolated product niches, such as aviation equipment and computer software, Japan's major companies are locked into a pattern of buying manufactured products and components from each other, a pattern often reinforced obliquely by arcane government regulations.

For the consumer market, penetration is a daunting task at *best. It can be done, as some* success stories clearly illustrate, but that success comes only after mastering an intricate distribution system and catering to what may be the fussiest consumers in the world.

Success comes at a cost that is likely to discourage all but those who can withstand years of loss and frustration.

The onus for change thus must await some more fundamental change in Japan's spending habits—some movement by the Japanese people to work and save less, to play and spend more, some moderation of the Government's near religious attachment to fiscal austerity, some movement to buy more of what both Japan and the rest of the world produces.

Japanese officials claim this change is now slowly coming. The question is whether the world has the time to wait.



Trade

Huge trade surpluses, exacerbated by cheap energy prices, have made even the developed world feel akin to a colonial subject

Steven Butler

Disposal should aid competition

CONTINUED FROM PREVIOUS PAGE

Japan Air Lines. The Government is planning to sell its 34.5 per cent stake in JAL, probably next year. It has yet to decide the precise timing and whether to sell the stake all at once or in tranches.

The disposal is part of a move towards greater competition in the Japanese airline industry, which has the third largest domestic market in the world (after the US and USSR), with about 45m air travellers a year. The market is served by three major carriers. All Nippon Airlines has 54 per cent of domestic traffic and Toa Domestic Airlines has 20 per cent. JAL, which has long enjoyed exclusive international rights, is restricted at home to trunk routes giving it 20 per cent of the market.

Until recently, the Government's policy had been protective, allowing each of the airlines to develop businesses without too much competition. Indeed of the 162 domestic routes, 143 are monopolies.

However, policy has changed rapidly since 1984 when the Ministry of Transport signalled that it would be moving towards a more consumer-oriented policy. In April last year, as part of a new bilateral air agreement with the US, the government got authority for a total of three Japanese carriers to fly to the US, thus breaking JAL's international monopoly.

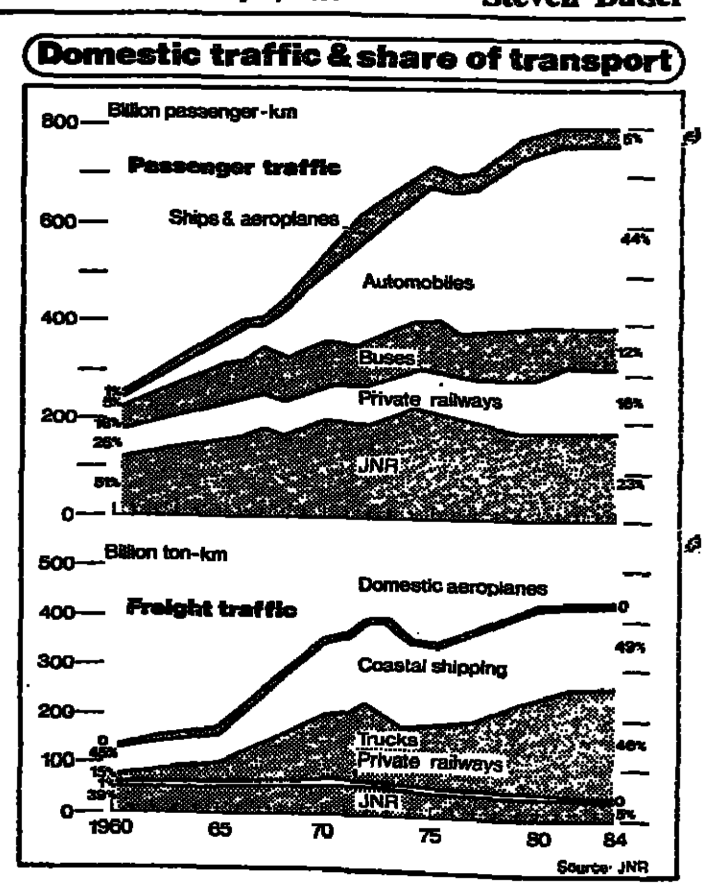
At the same time, JAL is to get greater access to the domestic market—though physical constraints on airport space means there will be no deregulated free-for-all.

Against this background, JAL is keen to see the Government sell its 34.5 per cent stake—a holding which makes it the largest shareholder and gives it control of the airline. JAL's management appointments are subject to government approval and so are its operating plans and investment decisions. This, it says, has curtailed its ability to respond rapidly and flexibly to market developments.

In preparation for the stake sale, JAL recently announced a reorganisation of its corporate structure aimed at increasing profitability. It involves the creation of four new profit-oriented divisions and a new marketing outfit.

The plan was the brainchild of JAL's strong new vice-chairman, Mr Junji Ito, who was brought in by the Government after last August's jumbo jet disaster killed 520 people. That crash, and the resultant fear of flying, has hit the airline's profits hard.

It recently reported a pre-tax loss of Y1.66bn in fiscal 1985, compared with a profit of Y22.5bn the previous year, as a result of a sharp drop in domestic traffic after the disaster.



Steven Butler

Market Access

Why the alarm bells are ringing

IT IS a steep plunge indeed from the lofty sentiments about reforming Japan's role in world trade expressed by senior Japanese officials to the frustrations and failures of Japan's trade partners, who have been banging for years on a door that proved sticky, to say the least.

It is Japan's powerful, developed trade partners — the US followed distantly by the European Economic Community — that have led the fight to have that door opened.

"It's like running a marathon, but when you get up to the wire, you find the wire has been moved four miles down the road," says a frustrated US trade official.

The complaints are simple — Japan has taken advantage of the relative openness of US and European markets to develop high-volume export industries while not opening its domestic market sufficiently to the outside. The result has been the destruction of manufacturing jobs and even whole industries in the developed world, from electronics to automobiles.

"We are not so concerned about the size of the trade deficit," said Mr Laurens Jan Brinkhorst, head of the EEC delegation in Tokyo, in early June. None the less, by the end of the month, as more statistics became available, Mr Brinkhorst issued a cry of alarm about apparent Japanese targeting of the European market, where currencies remain relatively strong. As the weak dollar erodes Japan's position in the US, Japan's exports to the EEC surged ahead by 53 per cent in the first five months of the year.

Still, the concern of the EEC is principally with the composition of trade. In 1970, machinery and machine tools accounted for 43.2 per cent of the EEC exports to Japan. In 1985 that shrank to 26.2 per cent. EEC exports have become dominated by processed and semi-finished goods.

Japanese tariffs have fallen so that on average they are among the lowest in the world. Yet the market has often proved impenetrable for a hundred other reasons, ranging from a thicket of bureaucratic rules that discriminated, intentionally or not, against foreign products to unique difficulties inherent in the market itself, including a general preference among Japanese consumers and companies to buy Japanese. Passing one barrier, a foreign company frequently tripped over another.

Japanese leaders slowly came to appreciate the reality that unless they found ways to open their domestic markets further they would be cut off from export markets abroad. A series of seven programmes earlier in the decade had little practical result.

Yet they culminated in an "action programme" initiated By Prime Minister Nakasone in July 1984 that was more sweeping than anything that came earlier. It has led to dismantling a series of tariff and non-tariff barreirs to the market.

"There has been a change in attitude" says a US trade official. "it is more than appearances."

Hold your hats. No one, least of all the Japanese, expects any of the programmes to have a substantial impact on trade flows. Yet for individual companies in some sectors the scope of opportunities has clearly improved. There is now a potential.

The programme, along with related actions, has spawned a plethora of committees and meetings, that suitably reflect the complexities at hand. The reams of materials describing rule changes and tariff adjustments is stultifying for its sheer volume, yet it indicates some real change.

Tariffs have been eliminated on many high technology items. tariff reductions have followed in a range of agricultural products. Foreign test data for pharmaceuticals is now accepted with some qualifications. A speed up of pricing for drugs under the national insurance system will also reduce costs and uncertainties for foreign companies.

The Japanese Government now accepts test data from designated foreign testing organisations for new products. This eliminates the need for the Japanese Government's own personnel overseas to inspect factories and products.

"I can say from personal experience that the elimination of tariffs in the information processing industry, coupled with the strengthing of the Yen, have afforded us the opportunity of pricing strategies that will make it more price competitive in that market this year against Japanese information processing systems," recently wrote Mr Herbert Hayde, who is president of the American Chamber of Commerce in Japan, and represents Burroughs Corporation. He adds, though, that the markets will take several years to develop, and that means any results will be slow in coming and hard fought.

The improvements across a range of specific regulations came after the US revamped its tactics for pressuring the Japanese. Instead of the harping on the general unacceptability of the trade flows and exhorting the Japanese to do something about it, the US began to raise a big political sledge hammer on individual issues.

The US set up a series of talks, dubbed Moss — market oriented, sector selective — to push in selected trade areas. US officials declared the talks on telecommunications and medical equipment and pharmaceuticals to be successful on eliminating the outstanding tariff and non-tariff barriers. Electronics talks produced more mixed results, while the Moss talks on forest products largely fell prey to an aggressive and well-organised domestic Japanese lobby.

"It's absurb that there is a plywood industry here," says a US official. The US did succeed in knocking down the tariff on imported softwood plywoods from 15 per cent to 12.5 per cent in April 1987, and then to 10 per cent in 1988.

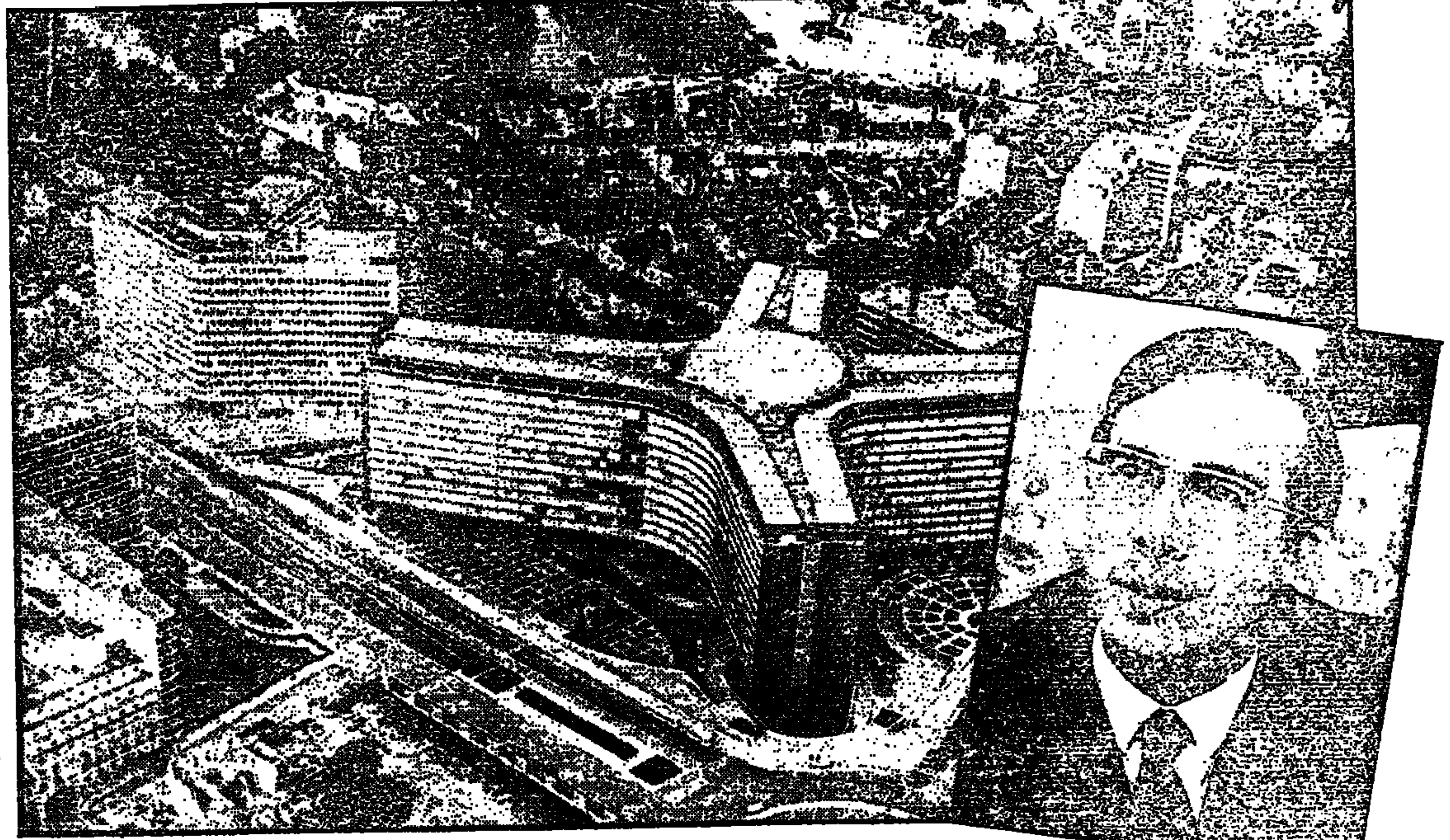
The mixed results of the VUs talks led one participant to dub the successes as "pushing on an open door." He argues the talks did not achieve anything the Japanese were not already ready to give away. The diffuseness of the Japanese political system, and the impossibility of mustering strong leadership against powerful domestic lobby groups will forever bar some sectors from progress.

The difficulty often lies in untangling an incredibly complex system that was set up to protect Japanese companies, and directing it to do something different. US negotiators thought they had a breakthrough when they cleared the way for loaded "high cube containers" to be transported on six routes from Yokohama harbour to Tokyo.

The larger shipping containers are used chiefly by US lines, and the Japanese banned the imported containers ostensibly on safety grounds to protect low bridges.

The joke is that the containers are manufactured solely in Japan and are transported without restriction to the ports for export. After reaching agreement, however, shippers discovered that for the short haul to Tokyo, each individual container still needs 6,834 separate pieces of paper filed with the proper authorities to clear the way. The negotiators are back at the table.

Undeterred by these sorts of obstacles, Europe followed suit in April with a big push on the tax structure which heavily penalises European wine and spirits. Japanese wine bottlers are able to gain access to cheap raw materials by the high duties on bottled wine, which are as much as eight times bulk wine.



The EEC headquarters in Brussels. Early last month Mr. Laurens Jan Brinkhorst, head of the EEC delegation in Tokyo complained about apparent targeting by the Japanese of the European market where currencies remain strong.

Scotch and Irish Whiskies are classified automatically as "special" grades, which push them into much higher tax bracket and, pricewise, out of reach for the average Japanese salaryman in his favourite after-hours drinking haunt.

Once the Government opens the door, of course, there are more doors yet to bang against. A U.S. diplomat complains that the Japanese electronics companies' quality specifications are unreasonable. "You don't need that much quality," he says

The remark may say as much about why U.S. companies have failed to keep up with the Japanese as anything else, but it gives some indication about what companies face once they pass the gate and enter the fray. Japanese companies have the most sophisticated manufacturing technologies in the world.

Whether it is due to an irrational preference for dealing with Japanese companies, or the result of a previous bad experience with foreigners, many Japanese have trouble taking foreign companies seriously.

Foreign auto part makers say they are unable to even meet with Japanese auto engineers, so they are never able to produce sample parts precisely to specifications.

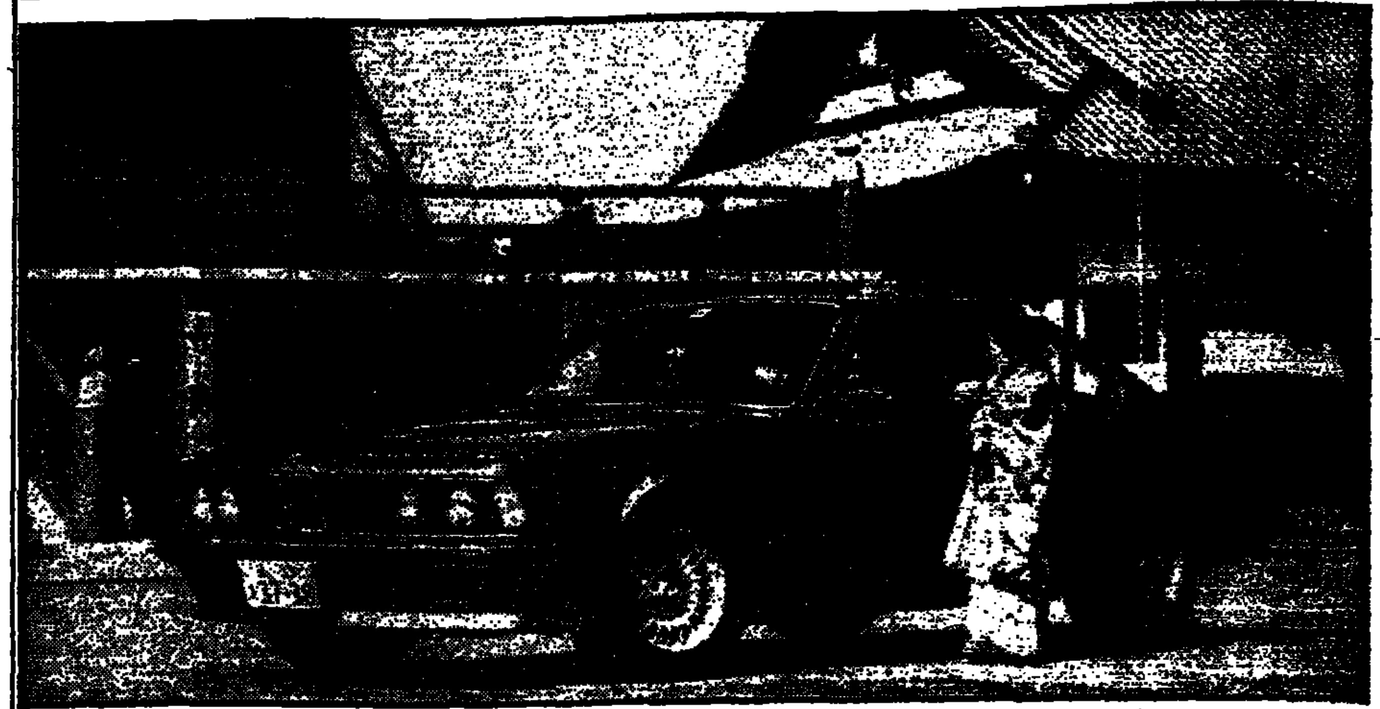
By tradition as well as for purely business reasons, a Japanese company is unlikely to break with a trusted, long-time local supplier in favour of an unknown foreign supplier unless the price or technological advantages are stunning.

Japan is now a huge market, and many foreign companies selling everything from computers and cars to bananas and motor oil have found a strong and profitable niche. With tariffs and other government barriers coming down the prospects for carving out more sections of the market have improved. Yet what remains is still an industrial economy which is highly integrated and self-sufficient after the raw materials have been taken in from the docks.

Mr Brinkhorst of the EEC, says: "The seriousness of the trade imbalance is a simple reflection of the fact that the Japanese economy is not integrated into the world".

The near-term prospects of loosening this closely-knit system are not bright.

Steven Butler



BMW has successfully broken into the Japanese market

How to sell to a market of 120m customers

Martin Dickson gives guidelines on how to break into a lucrative market and highlights the successes of several western companies

Left: Some of Wedgwood's fine bone china popular with Japanese consumers. The wild strawberry design was originally intended for the US market. Above: Mr J. Russell Lovatt, president of Wedgwood Japan.

"THE JAPANESE market is not as difficult to penetrate as Europeans complain, but it's also not as open as the Japanese claim," says Mr Luder Paysen, managing director of BMW Japan.

He should know, for BMW is widely cited as a success story which shows that with the right product, right management and determination it is possible for foreign companies to make sizeable inroads into Japanese markets.

"The basic message," says one western diplomat, "is: yes, there are problems doing business here, but they can be overcome and this is potentially such a lucrative market that you can't afford to ignore it."

The potential lies in the fact that the market is large (population 120m), affluent (with nearly the highest per capita income in the world) and homogeneous in its tastes (which is more than can be said of Europe).

Entry may also open up the possibility of collaboration with Japanese companies in third markets—and since the yen's appreciation businesses are placing far greater emphasis on direct investment overseas.

Foreign companies established in Japan cite another important reason for coming to the country: the best way to face the Japanese industrial challenge is to meet it in its home market, where you can keep closer tabs on just what the opposition is up to. "This is such a competitive market that if you can win here, you can win anywhere," says the head of one western group.

Contrary to widespread belief, Japan's formal trade barriers have now been in large measure dismantled, with tariffs generally below those in the US and Europe and quotas limited to a few items, mostly agricultural produce.

Non-tariff barriers have also been reduced, though the American Chamber of Commerce complains that day to day regulation of industry is used to "block, moderate or make unprofitable, new or expanded foreign investment."

In addition there are psychological, social and economic barriers, stemming, for example, from a distrust of little know foreign suppliers and the extent to which Japanese firms already dominate parts of the long and inefficient distribution network.

So how does a western company break into the market? Clearly the first decision to make is the route in. The simplest approach is on an agency basis, hiring one of Japan's 8,000 trading houses to handle your products. The advantages are cheapness and the fact that you have immediate access to great knowledge of the market.

However, it is vitally important to choose a good, energetic agent. Although many importers are attracted to the large, well-established trading houses, a smaller business may be hungrier for work—and your product will form a larger part of their portfolio.

There is also less chance of them representing a Japanese rival. Western businessmen in Tokyo claim that large trading houses have been known to "smother" the products of an importer when they have a similar Japanese company on the books—doing just enough to keep the western firm as a client, yet feeling mildly dissatisfied.

Having got a good agent, it is important to visit him regularly. "Agents get lonely. They need to feel you are committed," one British importer says. "You have to build up a relationship of trust. And having got an agent it is unwise to fall out with him—word will get around and it will be difficult to get another."

Some of the problems are illustrated by the case of Gripperrods, a British manufacturer of floor covering accessories, which entered the Japanese market in 1976 through a local agent. However, the company now admits that it spent too little time identifying the right distributor, and the company chosen had a limited distribution system and eventually went into liquidation because of financial difficulties.

Since then, Gripperrods has successfully established itself by appointing a resident Japanese representative and helping its distributor organise a national network.

The establishment of a representative office is the normal next step for any company making a deeper commitment to the Japanese market. The alternatives are the formation of a joint venture with a Japanese company (which can present culture-clash problems); takeovers, which are difficult, if not impossible, since they are not common in Japan (hostile ones are virtually unheard of) and a stigma attaches to the company being swallowed up. The establishment of a greenfield site is extremely difficult for businesses unfamiliar with the industrial set-up.

Whatever route is chosen, several key do's and don'ts are cited by western businessmen with long experience of the market:

- Don't expect to see a quick return. It is a market where the costs of entry are high and rewards are slow in coming. The potential investor has got to be prepared to be patient and adopt a long-term strategic approach. As a rule of thumb, many businessmen say you should not expect to make any money out of Japan in your first five years.

Western companies, with their eye on share ratings and quarterly/half-yearly reports, can be at a competitive disadvantage to Japanese rivals, whose tight shareholding structure and high debt/equity ratios mean they can take a longer term view, pursuing market share first and letting profit follow later.

- It is expensive setting up shop. Housing and office costs are high, due to land shortage, food is expensive, and entertaining out—a vital part of business—is exhorbitant, since Japanese expense accounts seem bottomless and smart restaurants set their prices accordingly.
- You must demonstrate a commitment to the market. The Japanese need to be convinced that you are going to be a permanent feature of the landscape. This applies equally to agents (who do not want to be left with an after-sales problem if you pull out), to customers and to staff.

Many western companies say that getting good staff is one of their biggest difficulties, partly caused by the Japanese lifetime employment system and in part to wariness of unknown foreign organisations. To overcome the difficulty they often have to pay higher salaries than Japanese rivals, though even this will not necessarily overcome the shortage.

Some companies have now begun recruiting Japanese staff members direct from universities, getting them on board at the start of their careers.

- Take account of different business customs. For example, decisions within a Japanese company tend to be taken initially at middle management level and then progress up through the hierarchy, rather than from the top down as in the West.

There is often little point approaching the chief executive of a company at an early stage of negotiations, when the key man is a manager in his middle thirties, hungry for good ideas to sell.

Before any important decision is reached a complicated process of consultation will take place to ensure group support. It is called *nemawashi*, which literally means protecting the roots of the tree before replanting.

Western businessmen say that negotiations with their Japanese counterparts often seem frustratingly slow in the early stages, but once the Japanese company has made a decision everyone works very rapidly to execute it.

- Entertaining is also a crucial part of the Japanese business culture, since it builds up all-important personal contacts. Be prepared for long evening eating and drinking sessions and brush up your golf strokes.

Also be prepared to work long hours—it is not uncommon to find Japanese staff still in the office at seven or eight o'clock at night, and bosses are supposed to set an example.

- Your goods and services must be of the highest quality. The market is fiercely competitive and customers pay attention to the finest detail. For consumer goods, for example, that means paying meticulous attention to packaging.

"The major Japanese companies expect miracles from domestic components suppliers and you have to provide the same service," one British importer says.

"If you are suddenly asked to speed up deliveries, there's no point arguing about what your contract note says. It is not a legalistic society and it is much more important to prove you can be trusted."

- Market research is vital. Japanese companies do vast amounts of research and some of the most successful foreign companies have done likewise. Take, for example, Burmah Oil which spent 10 fruitless years in the Japanese market before making a break in profitable growth with Castrol, its branded motor lubricant.

This followed directly from a market research survey showing that 11-12 per cent of the $1.5bn a year market for motor lubricants was covered by independent retailers. Castrol began an advertising campaign designed to encourage sales through these outlets, which has proved a great success.

That story also underlines the importance of advertising. The Japanese are extremely brand conscious.

- The distribution system can be a major hurdle in selling consumer goods. It is long, and has some of the features of an informal welfare system. The price of imported goods are often multiplied 2½ to 3 times before goods get to the shops.

The system is not designed to keep foreigners out—Japanese companies also suffer from it—but it can be a particular headache for western companies competing in sectors—such as electrical appliances—where there are strong ties between specific outlets and specific manufacturers.

- It is a classic niche market, offering the best opportunities for high value, low volume goods which the Japanese either cannot make or do not care to make.

Examples of the former include many western luxury goods which have an exclusive cachet. One example of the latter is a small British company doing well in a classic Japanese area of superiority—electronics—selling sound mixing consoles, a niche local manufacturers do not wish to enter.

The stories of BMW, the German car manufacturer, and of Wedgwood, the British fine china group, illustrate the kind of consumer goods and penetration strategies that can produce results in the Japanese market.

Wedgwood made a careful study of the market at the start of the 1980s and, after abortive negotiations over a joint venture with its existing local distributor, decided to set up its own local office, headed by Mr Russell Lovatt, who at the time was the firm's general sales manager and had suggested the push into Japan in the first place.

Wedgwood Japan started trading in March 1983 and, while not prepared to give precise figures, the company says sales volume has increased by 300 per cent since then and its is already making a trading profit. It claims to have become the brand leader in imported china, more than trebling its share of this admittedly small market niche.

One important factor behind this is that Wedgwood has an almost ideal product to break into the market: the Japanese are particularly appreciative of fine china and Wedgwood has a quality image and a very strong brand name.

But that alone was clearly not enough in boosting market share. Other elements have included a very strong emphasis on advertising and the opening of regional offices close to major retailers, thus keeping the distribution network as simple as possible.

Mr Lovatt adds that from the start he decided Wedgwood "must go with the stream. I have tried to make it a Japanese company, operating in a Japanese way." The result is a management system based on Japanese consensus methods.

Recruiting good staff was an early headache, though Wedgwood's well-known name was some help. Mr Lovatt used an executive search company to get his initial core team of 30, and then recruiting agencies. The company now employs 114 people, only three of them expatriates, of which over 100 are graduates and it is starting to recruit directly from employees' old universities.

BMW is often held up by the Japanese themselves as an example of how to succeed—though the company is keen not to overstress this image, poin-

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Semiconductors

US demands firm action

THE ROW over semiconductor trade between Japan and the US is now winding on like a long bad novel whose author cannot figure out how to end the plot, and so it just keeps going, with deadlines forever postponed despite tough-sounding threats from the US.

A framework for an agreement was said to be in place months ago, but evidently a heavy wind is buffeting the negotiators who are trying to nail down the roof. The latest deadline is now set for July 26.

No trade dispute illustrates so plainly the different approaches to business in Japan and the US, which frequently result in keeping US manufacturers out of the Japanese market, and the difficulty, perhaps the impossibility in the end, of controlling complex international trading relationships through bilateral agreements.

The US case against Japan is twofold:

• First: Japanese manufacturers have attacked the US market with unfair, predatory prices that have driven one after another US manufacturer from the field.

• Second, that the Japanese Government has taken action to close their own market to imports as soon as they have developed a domestic manufacturing capability.

Backing, for this second argument, however, is one smoking gun. The American Semiconductor Industry Association argues that market penetration figures prima facie illustrate that the Japanese market is closed.

They say that the 11 per cent penetration of the Japanese market by US companies compared with the 55 per cent penetration of the European semiconductor market provides proof that US products are competitive and that the Japanese market is controlled by some kind of cartel-like agreement among semiconductor users.

The Japanese response to this cannot be ignored. They say that Japanese companies do not buy US chips because US companies do not make the kind of specially-designed chips they use to make consumer products; that US sales networks and marketing ability are weak, and that supply and quality has been a problem.

The Japanese complain that in 1983, when the worldwide supply of semiconductors was very tight, many Japanese users of chips found themselves cut off, in a very un-Japanese-like fashion, by their US suppliers, who sought to improve profits rather than preserve market share.

A major Japanese consumer electronics company says it encountered substantial losses because an American semiconductor company delivered its microprocessors for a new product five months late.

US companies have succeeded in Europe, the Japanese say, because they began early with the establishment of local manufacturing facilities and effective marketing networks.

Indeed Japanese negotiators have frequently said that the entire problem would be eased if the US companies would only establish their own manufacturing facilities in Japan. This is an argument, however, that US negotiators see as a keg of dynamite because of the possibility that the US Congress might use it in reverse as a device to limit Japanese imports.

The issue has become politically explosive, a kind of test of the Reagan Administration's will to enforce US trade claims. The US anti-dumping suit against 256 kilobyte (and higher) random access memory chips was the first anti-dumping suit ever filed by the US Government, leaving little doubt about what the outcome would be.

If the suit goes ahead it would cause the Japanese substantial losses in a whole generation of new memory chips, giving the Japanese a strong incentive to reach a negotiated settlement first.

The US says it will drop the anti-dumping duties if it can agree on a price and production cost monitoring system and obtain guaranteed greater access to the Japanese market for US companies.

The difficulties in hammering out an agreement that benefits anyone, however, are rife. Many US companies are moving their manufacturing off-shore to Asia and attempts to make the bilateral price agreement apply to Third Countries have apparently failed.

This would leave a very *fast*-growing segment of the market free from controls and could encourage a faster flight of manufacturing from the US. The General Agreement on Tariffs and Trade Organisation has raised warnings that the arrangement smacks of an international cartel to carve up a $20bn market in violation of Gatt rules.

There is also the difficulty of how private Japanese companies are to be made to purchase enough US chips to raise the US share to 20 per cent of the $9bn Japanese market, as US negotiators are striving for. Japanese companies may have a history of co-operating with the Government, but the Government does not tell them who to buy from.

It would also be a strange arrangement for the US Government, which professes to believe in the merits of free trade.

Japanese electronics companies have begun recently to grouse in private that their own Government, for political reasons, is selling short their interests. Mr Michio Watanabe, the Minister of Trade and Industry, is a possible runner for Prime Minister, and a guilty judgment under US trade law against Japan would indicate the failure of negotiations—hardly a feather in the cap.

Indeed for both governments, reaching any agreement may be more important politically than admitting failure. One way or another, the plot seems certain to reach its denouement before long.

Steven Butler

Hawaiian-born sumo wrestler Konishiki (right) on his way to winning a match

Discrimination in sport

Evidence mounts in domestic field

LAST AUTUMN, on the final day of the Japanese regular baseball season, Randy Bass, a large American first baseman for the Hanshin Tigers, took the field against the Yomiuri Giants with 54 home runs to his credit, one home run short of the record of the legendary Sadaharu Oh, who, as fate would have it, was, and still is, the non-playing manager of the Giants.

On that day, successive Giants pitchers threw at Mr Bass's ankles, in the dirt and *several feet wide of him.* He never saw a ball that he could swing at to break Mr Oh's *record.* Mr Oh, *who happens to* be one of the great gentlemen of sport, said he never issued orders that Mr Bass be given nothing to hit. Cynics thought he did not need to.

Earlier this month, John Anthony Tenta, a 440-lb Canadian sumo wrestler who had had a spectacular debut in the traditional Japanese sport, abruptly gave it up. At the time of writing, the reasons remain unclear, but there was at least a suspicion that he had been forced out because he was perceived as a foreign threat.

The two instances are but the latest wrinkles in a long controversy over the role of the foreigner in Japanese sport, ancient and modern. Most of the problems have centred on the clash of cultures.

The *Japanese have imported* foreign players, either for entertainment or to raise the *quality of the indigenous game,* but this mercenary relationship has never been entirely easy. Some foreigners adjusted to the different Japanese lifestyle, on and off the field, and some did not; the fault was often on both sides.

But the Bass and Tenta incidents hint at a new element in the equation. This is the possibility that the Japanese are beginning actively to discriminate against those foreigners who threaten to dominate their domestic sports.

It is one thing, the argument goes, to help raise standards to international competitive levels since, with the exception of a few sports like judo and gymnastics and a few individuals, like Ms Ayako Okamoto, the golfer, Japan is not a big world sporting power. But rewriting the domestic record books and putting domestic stars in the shade on home ground is another matter.

The picture is, of course, mixed. In those sports with neither much history of, nor hope for, international competitivity Japan welcomes foreign stars for the enjoyment, and the education they can provide with open arms and vast pots of money.

Tennis is a classic example. The Lendls, Wilanders and Beckers of the circuit now make *a point of* playing in Japan. The game they play is on a different planet from that purveyed by Japanese men who, as Ken Rosewall, another frequent visitor, says, lack aggression.

In basketball, where the Japanese lack of height is a terminal problem, American men and women of decent collegiate standard can earn good money in Japan for a few years playing in the industrial leagues *without being accused* of supplanting domestic talent.

In volleyball, immensely popular in Japan and played at close to world standards, exceptional imported talent, like the late Flo Hyman, who died of a heart defect on a Japanese court earlier this year, are seen to have made considerable contributions.

But in the three Japanese sporting religions, sumo, baseball and golf, discriminatory problems are occurring. This does not so much apply to men's golf, because the Japanese *circuit* is a little too distant and insufficiently prestigious to *attract western stars for other* than occasional visits.

However, the Japanese women's tour is another matter. With Ms Okamoto mostly playing in the US, it has in recent years been increasingly dominated by a small cadre of Taiwanese women professionals, led by the redoubtable Ms Tu A-Yu, the top money winner for the past four seasons. There is now a movement among Japanese women performers to limit foreign participation.

In sumo, if Mr Tenta's case remains unproven, there is greater evidence of the sumo hierarchy's unhappiness with another foreigner, the giant Samoan who fights under the name of Konishiki and who has reached close to the top of the sport.

Foreign residents, and many Japanese, were outraged in the Tokyo tournament of last May when the judges deprived him of what appeared to be a clear victory over a young Japanese star. Insult was compounded by injury when Konishiki's knee collapsed *in the* re-match.

In the national opiate, baseball, the controversy is of the *longest duration* and the most stark. Currently each of the 12 Japanese major league teams may carry two foreigners on their roster though one, the popular Hiroshima Carp, fields an all-native team.

The imports are generally marginal American players, plus two or three Taiwanese, still capable of doing well in Japan. The just retired commissioner of Japanese baseball was an advocate of phasing out foreign players, on the grounds that they had nothing more to teach *domestic* performers.

Even Mr Oh, who is himself Taiwanese, has expressed sympathy with this view, arguing that if Japan is ever to compete successfully at the professional level with the US, as it does now in collegiate contests, it must allow domestic talent full rein for development. Indeed, over the years, Japanese players tempted to try and make it in the US leagues (some, like Mr Oh, would certainly have succeeded) have been rigorously discouraged.

This year, *Mr Bass could well* prove himself as much of a catalyst for discrimination as he *did last season. With the season* less than half completed, both his batting average and his home run production were threatening to make nonsense of all the Japanese records, Mr Oh's included. One day of pitches in the dirt might not be enough to prove a case. Several weeks' worth would constitute incontrovertible evidence.

Jurek Martin

On this and the following pages a glimpse of Japanese tastes and prejudices and facts and figures for the businessman

Society

How to sell to 120m customers

CONTINUED FROM PREVIOUS PAGE

ting out that its share of the car market was in 1985 a tiny 0.3 per cent, or 12,000 cars, the same as it sells in Austria, which has a much smaller population.

Nevertheless, that figure represents a great advance on the 2,600 cars it sold in 1981 and BMW does have lessons for others. It was just five years ago that it decided to go it alone in Japan. It set up as the first wholly owned Japanese subsidiary of a foreign car manufacturer by buying out the core dealerships of its local distributor.

To run the fledgling operation it brought in two executives who had no previous experience of BMW but knew both the West and Japan very well: Mr Yoji Hamawaki, the president, is a Japanese who had spent 15 years in the US with Kawasaki, the motorcycle manufacturer, while Mr Paysen, the managing director, is a European businessman who had had 12 years' experience of Japan.

They believe that between them they have created a distinctive management style that blends the consensus Japanese system with European demands for individual decision-making. "It is," says Mr Hamawaki, "a bi-cultural management."

Recruitment again proved a difficulty, partly because of the lack of labour mobility from local car companies, but also because BMW felt that few people trained in a Japanese motor group would suit its culture. It head-hunted its middle management from other western companies and now recruits extensively in the universities, looking for strong individuals.

Apart from having a status niche product, a major factor behind its success has been the building up of its own exclusive dealership network from the 30 outlets it started with to about 70 now. That was far from easy, given the close links between local dealers and the Japanese manufacturers.

It coupled this with an innovative hire purchase package which slashed the financing costs of buying a car from the Japanese norm of 18 per cent to 9.5 per cent.

Like Wedgwood, it has spent a great deal selling itself. Marketing expenses as a percentage of sales are the highest for BMW anywhere in the world. "Getting your message across is very costly," says Mr Paysen, "and lots of companies hesitate to do this. But if you want to be successful here you have to take a controlled risk. You have to make a big bang."

The Arts

Big money paid for superstars

JAPAN HAS an insatiable appetite for names, big and internationally-known. Superstar musicians, conductors famous orchestras, ballet and opera companies, art collections—all are invited.

Japan's top of the pop videos and records are no different from those in the US or UK. The best roadshow movies are available in Japan too. " If a play has won awards in London or New York, it's a sure bet the Japanese will be interested," says theatre agent, Mr Martyn Naylor.

Nor are stars allowed to wane here. Japan was the last place on earth to see Maria Callas on stage. Frequent visitor Rudolf Nureyev, is always guaranteed ecstatic ovations.

The normal Japanese reserve is shattered by " bravos " for foreign touring ballet, opera and music, for whom the audiences pay big money (Vladimir Horowitz $230; Royal Opera $150; Mikhail Barshynikov $110—in contrast to the usual modest $30 for the home performers). That Japanese artists cannot inspire such enthusiasm is a matter of concern for producers, prompting NHK Symphony Orchestra director, Kazuo Maye's remark that "Tokyo is a big market for touring artists but not for Japanese." The audiences for their regular concerts average 71 per cent capacity.

This is a lucrative market. Japan's imported culture (most of what is thought of as traditionally Japanese, originated outside, initially China and Korea, then Europe and America) makes the Japanese eager for new experiences. People nowadays have also increased time, facilities and money for the arts. The ultimate information society, they know what is on in New York, Paris, London and major cities elsewhere and expect Tokyo to follow. Some producers are now setting their sights on staging world premieres in Tokyo. This is no pipe dream. Japan's arts are big business with a sophisticated set-up and marketing strategy.

As for the customers, they have their specific likes and dislikes. Japanese audiences want nothing too intellectual. People prefer their films and plays entertaining, even better if layered with fantasy. Japanese TV is saturated with inane nonsense. They also like the safe and uncontroversial. (Paul Schrader's *Mishima* film is black-listed, while Oshima's are censored). Japanese innate restlessness demands short runs and fast high-tech staging.

In music the popularity of Mozart, Beethoven and Brahms has only recently given way to Mahler and Shostakovich. A current spate of American plays features predictably Arthur Miller, Tennessee Williams, Edward Albee and Neil Simon—predictably, too, their best-known. The adventurousness shown by Tokyo's Parco Company in presenting a season of Sam Shepard is not unexpected—he is, after all, America's most famous modern playwright.

In classical ballet, apart from Maurice Béjart and Tadatsugu Sasaki's Tokyo Ballet Company who have pushed out the boundaries of taste by modern works, most Japanese companies perform little other than endless Swan Lakes, Don Quixote's Giselle's etc.

No Japanese opera company would venture beyond the standard Italian or German repertoire. Even the prestigious Royal Opera fell foul of conservative Japanese taste in their 1979 tour with Benjamin Britten's opera, Peter Grimes. The composer, opera and Jon Vickers who sung the role of Peter Grimes, all being relatively unknown (i.e. minimal record sales) kept audiences away.

New artists to Japan can fill theatres if backed by big producers, explained, labelled, interpreted in a good Press campaign—and put on at a reputable venue. Packing Tokyo's Parco Theatre for the Belgian producer Jan Fabre The Power of Theatrical Madness demonstrated clever marketing more than the production.

The Japanese propensity for recognising famous foreign names which rendered Jan Fabre more comprehensible here than in most other countries, makes Laurie Anderson and Pina Bausch almost household names in Japan.

Even less stellar foreign names though are crowd pullers. Leading orchestras such as NHK or Tokyo Metropolitan Symphony can rely on visiting conductors or soloists to boost tickets sales. This, however, creates a crisis for Japanese musicians, who regardless of how talented, in an over-flooded market cannot get bookings, and whose best prospects for a successful career are to leave Japan and try their fortune overseas.

Once established abroad, they may be later accepted back home (e.g. conductor Seiji Ozawa, and pianist Mitsuko Uchida, set for a triumphant return in the autumn).

In musicals, too the foreign influence is being felt. Japanese audiences are no longer satisfied with second-hand, home-produced versions of American shows, now clamour to see the originals. This year Chorus Line, 42nd Street and Dreamgirls all play in English with American casts. This, is much to the chagrin of Keita Asari, director of SHiki Company (famous for the Japanese Cats and most of Japan's musicals) prompting *his much-publicised* angry outburst at the "foreign invasion."

Certain categories of Japanese can also attract great followings. Japan's penchant for trans-sexual entertainment (mostly innocent) are guaranteed large audiences of schoolgirls. The Takarazuka All-Girls Revue (females playing male roles) attract hordes of hysterical fans. So, too, Tammasaburo, the great Kabuki female impersonator and various transvestite singers and entertainers. The American all-male Ballets Trocadero *also have a firm foothold* in this bizarre market (five tours in as many years).

The peculiarly electrifying atmosphere at a recent performance demanded some explanation. It was provided by essayist Kazuo Ishida: "First, there is the Japanese fascination for oddities and freaks. But more, the phenomenon represent a throwback from Japan's primitive culture and widespread belief in a land peopled by supernatural beings.

"I see it as evidence of a society modernised too fast . . . rather like the world of Shakespeare's The Tempest set in modern Tokyo." Ishida believes that for these girls, male dancers in drag represent an exciting encounter with other-wordly creatures. Even more frisson is felt because they are not Japanese, but foreign.

One particular section of the (heterogeneous) Japanese population though, have themselves been categorised as a bizarre breed. Those born in the 1960s and brought up in Japan's electronics age are now referred to by academics and arts promoters alike as the new humans. Also known as the "post-TV generation," they are Japan's newest arts market.

The artistic preferences of these new humans are both frivolous and high tech. They like montage entertainment, multi-media performances, particularly as supplied by Hideki Noda and his Dreams' Dreamers troupe, with their mix of East and West, Sam Spielberg and cartoons, word games and social satire, strung together in unlikely plots.

The new humans also enjoy what is known as techno art—themes from science fiction, biotechnology, cosmology, genetic engineering, using computer arts and music. They are very much into Futurism. Ryuishi Sakamoto (of Merry Christmas Mr Lawrence) with his space age music and techno pop is their idol.

Paradoxically, the pull of the past is also very strong for the new humans. A craze for nostalgia ("retro boom," in Japanese) inspired by the revival of 1920s Fritz Lang's Metropolis and the 1950s Absolute Beginners has produced a spate of period fashions, art, writing and music.

This "retro boom" *is a typical* instance of mass taste seen in Japanese waves, crazes, fevers and fads. These are no spontaneous phenomena, asserts cultural commentator Shuichi Hosokawa. "In Japan, everything is fabricated. Cultural monopolisers practise hyper-manipulation."

Japan's almost total homogeneity (education, dress, behaviour), plus a social system which denies individuality and enforces groupism, produces an uncritical, unquestioning mass *society, easily controlled. Once* the product is decided, success is ensured.

The media saturates the market with information, explanation, and interpretation, so that by the time the audience go to the performance, in Hosokawa's words " there is no psychological resistance and our expectations are fullfilled."

The customers themselves provide the final unusual element in Japanese taste. Audiences are composed mostly of females—85 per cent in most cases. *Few categories of the arts* attract audiences of both sexes in equal proportion. Couples are a rarity.

Japan, still devoting its energies to its economy, is at too early a stage of its modern history for concert and theatre-going habits in the population at large. This, plus the problem of workaholic men, slaves to their companies, and under-utilised women—all conspire to restrict patronage of the arts largely to women.

They are the ones with time on their hands and money in their pockets—and the most manipulated section of Japanese society.

Marie Myerscough

The pianist Vladimir Horowitz for whose performances audiences paid up to $230 a ticket. Below, Ryuichi Sakamoto, idol of Japan's 'new humans'

Ashley Ashwood

Tokyo contrasts: Old man at the Meiji Shrine and a Tokyo office worker enjoying baseball practice during a lunch break in Hibiya Park

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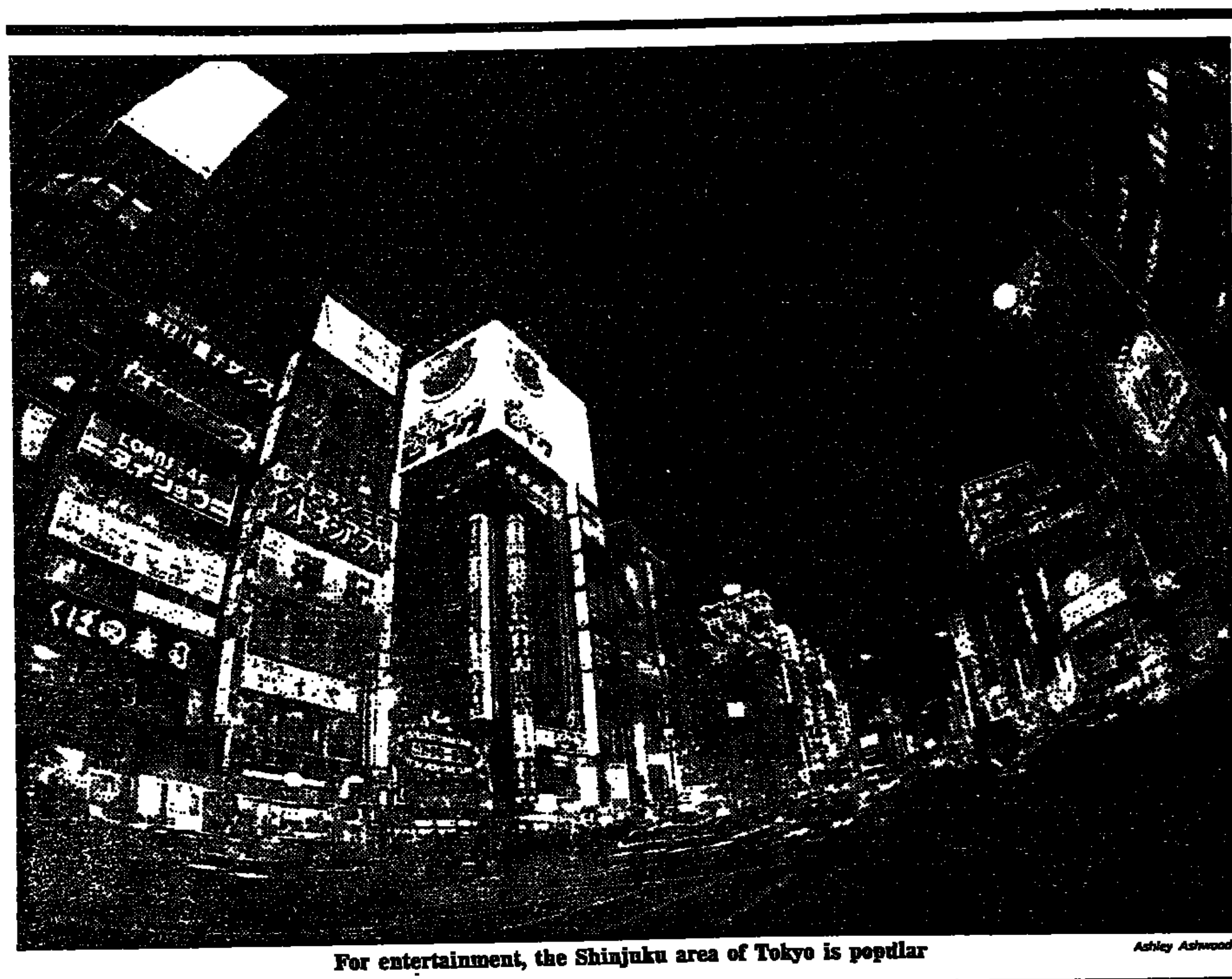

For entertainment, the Shinjuku area of Tokyo is popular — Ashley Ashwood

Business life in Tokyo

The bills rise with the yen

THE SHARP appreciation of the yen over the past nine months has suddenly transformed Japan, not for years a low cost country, into a very expensive one. Whether visiting or resident, the bills the executive can now incur will curl the ears of any corporate treasurer, especially one whose horizons are understandably limited by the cost of living in Watford or Peoria, Illinois.

This is unfortunate in an additional sense, because the rise in the yen has made Japan, at least theoretically, a market with much greater potential for the foreigner than hitherto. In the financial services sector, where the foreign presence has grown exponentially in the past three years, this may matter less than for the manufacturer or provider of other lower volume services, to whom the cost of a presence or periodic travels to Japan is now assuming a measurable share of any expected income.

Honesty requires reporting that there are no easy answers to the cost problem and this article cannot avoid dwelling on many of them. But this should not be construed as a deterrent to doing business, nor can it gainsay the fact that, in countless ways, Japan has become a less daunting and less impenetrable place in which and from which to operate. To paraphrase the old war poster, "Japan wants you."

Getting there; is now easier and faster than it once was. Non-stop services to Tokyo are available, or soon will be, from many more European and US cities, cutting, depending on starting point, from two to six hours off flights via Moscow or Anchorage. For the resident flying out of Japan, yen-paid ticket prices are still astronomical even with recent reductions; many locals establish relationships with artful Tokyo travel agents who can bill tickets elsewhere or with bucket shops in the likes of Hong Kong, realising enormous savings.

Getting in; from Narita airport, 770 kilometres outside Tokyo, is still an invariable nightmare, though, for reasons no one can explain, getting out to it generally takes much less time. Either way, two hours minimum, three for safety, has to be entertained. The easiest and often the quickest, unless met by car, is the airport limousine, or bus, which runs between Narita, the city air terminal and, less frequently, the major hotels. The Narita airport car park next to the terminals costs in excess of Y4,000 (£16 per day).

Staying for a while; is still a pleasure at great hotels like the Okura and the Imperial (Y25,000 a night and up) and not exactly a hardship at the likes of the Akasaka Prince, the New Otani the Capital Tokyu and the Palace (a touch cheaper but not much). The Shinjuku complex — the Hilton, Hyatt and the Keio Plaza — are fine, but not so accessible.

ANA, the airline, has just opened a brand new establishment in Roppongi, which may appeal to those with a taste for nightlife. Medium-priced hotels (Y8,000 to Y12,000 a night) have rooms which can be very compact; of these, the President, the Marunouchi, the Diamond, the Kaiyu Kaikan and the Fairmont are all reasonably central.

Staying for the duration in apartments or houses in the most popular "gaijin" ghettoes of Tokyo (Azabu, Roppongi, Aoyama, Hiroo) means Manhattan rents, and then some. Representational residences can run to Y2m a month, three-bedroom places Y1m plus. In nice, reasonably central, but less fashionable areas (the Banchos, Yotsuya, Yoyogi, Ebisu) Y800,000 a month might do.

Further out, but with much longer commutes, relative bargains may be found in Japanese neighbourhoods, though it is a fact that, outside the cosmopolitan centres, the natives do not like to rent to foreigners. In general rents are rising rapidly, as the foreign influx, especially of bankers, dries up the modest supply of "Western-style" housing.

An additional factor is that most leases will require a security pre-payment of up to six months rent in advance. Decent gardens are a rare luxury; to operate a car, a police-certified offstreet parking space is required (front rooms are sometimes converted for the purpose). There are good "foreign" schools (the Lycee, German school, American School, Sacred Heart etc), but places are finite.

Setting up an office, or moving into a bigger one, has tried men's souls. The prime business territory (Marunouchi, Otemachi) has so little available that when it crops up it can command its own price. Notional rents run from Y15,000 a month per tsubo (about 35 sq ft) to Y40,000, but these are modest compared to deposits which are in the Y600,000 to Y1m per tsubo range.

A competent bilingual secretary commands an annual salary of Y4m to Y6m a year. Interpreting costs — not as absolutely essential as hitherto in Tokyo — are steep, at, say, Y30,000 for two hours from the better known agencies. (Freelances, who come cheaper, do exist).

There is a growing transfer market, especially in financial services, for Japanese executives, but they leave the security of their native companies at premium prices.

Entertainment does remain a necessary part of business life in Japan, and not an inexpensive one. Receptions on, for example, opening an office or clinching a deal, are fairly obligatory and can easily cost Y15,000 per head and up in a respectable establishment. But, in general, there is a trend to less formal entertainment which the Japanese themselves seem to welcome; and Tokyo is a great eating and drinking city, for which prices vary enormously.

One of the better bargains is lunch, to which, again, the Japanese seem to be losing their aversion (though they will drink little in the middle of the day). A typical good French restaurant, which might cost Y15,000-Y20,000 a head in the evening, may offer three course lunch specials in the Y3,000-Y5,000 range.

The Japanese also like to be taken to clubs used by foreigners, of which the Foreign Correspondents Club of Japan and the American Club are the best known. It is customary, if not required, to offer resident staff the perquisite of membership at one or the other.

Entertainment also includes golf to which the Japanese are addicted or obliged to play. Club membership costs a fortune—upwards, often a lot, from Y20m for initiation plus hefty green fees—but can be profitable, in that memberships generally can be sold on the secondary market, invariably these days for much more than the purchase price.

Those who just want a casual round will pay not less than Y15,000 in the week and Y30,000 at the weekend for the privilege. Tennis also does not come cheap or plentiful; membership at the splendid, old Tokyo Lawn Tennis Club (the court are clay) costs a little over Y500,000 and a two-year wait for foreigners (Japanese can wait 20 years for a vacancy); suburban clubs can cost even more. Public courts, which might cost Y2,000 an hour, have booking systems which intimidate even the Japanese.

Being there, however, can be a pleasure. For all the urban sprawl, lack of parkspace and press of people, Tokyo is one of the most civilised and liveable of metropoles. It is clean, efficient, extremely safe, and full of unexpected delights. It is conventionally said that the Japanese are difficult to get to know and it is indisputably true that many foreigners do not penetrate domestic society. There are barriers, mostly social, but the walls are coming down, on both sides, at a perceptible speed.

Jurek Martin

The Asakusa Kannon Temple, Tokyo — Glyn Genin

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Thursday July 17 1986

Burroughs net income surges 41 per cent

BY ADRIAN DICKS IN NEW YORK

BURROUGHS, the US computer company whose recent merger agreement with Sperry will create the second biggest group in the industry after IBM, announced yesterday a 41 per cent increase in net income during the second quarter to $76.2m ($1.61 a share) from $54.1m ($1.19 a share) in the same period a year earlier.

Sales increased by 9 per cent to $1.33bn from $1.23bn a year earlier. Profits at the pre-tax level grew to $121m from $87.2m, while the pre-tax margin on sales widened to 9 per cent from 7.1 per cent in the previous period.

Wall Street reacted by marking Burroughs' shares up by about $1¼ to $86⅞ in early dealings – a striking contrast to its heavy selling of IBM stock on Monday and Tuesday after the computer industry leader had turned in disappointing earnings figures for the quarter.

Mr Michael Blumenthal, Burroughs' chairman and the architect of the merger with Sperry, said the results exceeded the company's expectations. "US computer demand for our products and services improved over the lacklustre levels experienced during the last five quarters" he said.

International performance was particularly strong as a result of the weakness of the dollar, Mr Blumenthal said.

"These results are particularly satisfying because they have been achieved against a backdrop of generally sluggish industry trends and despite the attention required by the Sperry merger activity," Mr Blumenthal added.

The second quarter figures do not reflect any effects of the merger with Sperry. But the Burroughs chairman said there would be a considerable impact during the second half both in consolidating Sperry's earnings with those of Burroughs and also in taking on to the merged company's balance sheet the negative impact of the acquisition financing and restructuring costs.

The benefits of the merger would be seen in the new company's 1987 results, Mr Blumenthal predicted. In the meantime, he said he was gratified that senior management from the two companies had started to work together – this confirmed Burroughs' confidence that there were common cultures and complementary businesses.

No name has yet been announced for the merged company, and last week Burroughs offered a $5,000 reward to any worker whose suggestion of a new corporate name was selected.

May wins battle for Associated Dry Goods

By Our New York Staff

MAY Department Stores, the third biggest US department store group, has won its long running battle to take over Associated Dry Goods, the fourth largest, with a sweetened offer worth around $2.5bn.

Associated Dry Goods and May said yesterday that they had agreed in principle on a merger of the two companies at a fixed exchange ratio of 0.86 shares (on a pre-split basis) of May common stock for each share of Associated Dry Goods. May's shares fell by $1⅛ to $73¼ immediately after the announcement. Associated's shares fell $1⅛ early yesterday to $60¾.

The latest offer is only marginally better than an earlier proposal from May which had offered to exchange 0.85 shares for each share of Associated's stock.

Associated had said earlier this week that it was willing to accept a higher offer if May would increase its exchange ratio to 0.882 May shares for each of Associated's 40m fully diluted common shares.

The takeover battle has been unusual in that both sides have gone to considerable lengths to publicise their bargaining positions. Associated is one of America's biggest retail groups and includes such famous stores as Lord and Taylor and J.W. Yakinson. The combined groups will have sales of close to $10bn, almost as much as Federated Stores, the industry leader.

Associated, which is based in New York, has 440 retail stores, and May, based in St Louis, has 145.

EMPHASIS ON MERCHANT BANKING PAYS OFF

Healthy gains for Bankers Trust

BY WILLIAM HALL IN NEW YORK

BANKERS TRUST yesterday rounded off the second quarter results season of the big US money centre banks, with a 19 per cent increase in net income to $104.2m. Earnings per share rose by 14 per cent to $1.45. Mr Alfred Brittain III, chairman, said that both net interest income and non-interest income contributed significantly to the earnings improvement, as did a lower provision for loan losses.

Loan loss provisions fell by $17m in the second quarter to $38m. This is in sharp contrast to the experience of some of the Bank's larger New York rivals which have reported lower second quarter earnings.

Net interest revenues rose by 18 per cent to $275.9m and non-interest income rose by 11 per cent to $189.7m. This was primarily attributable to increased fees and commissions, trading account profits and commissions and other income. However, the improvement on this side of the business was offset by a $20.1m drop in foreign exchange trading profits to $9.3m.

The group's allowance for loan losses at the end of June totalled $452.6m, or 1.77 per cent of total loans, compared with $390.9m, or 1.69 per cent of loans a year ago.

The latest figures confirm that Bankers Trust is maintaining its position as one of the most profitable New York banks and underlines the success of its increasing emphasis on merchant banking as opposed to commercial banking.

In the latest three months, the return on average equity was 16.01 per cent compared with 15.96 per cent.

This compares with 12.4 per cent at Citicorp, 13.3 per cent at Chase Manhattan, 14.23 per cent at Chemical and 11.19 per cent at Manufacturers Hanover. J. P. Morgan earned 21.05 per cent on its average common stockholders equity and Bankers Trust has set itself a target of earning 20 per cent.

Among other US banks reporting their second quarter results, Interfirst, the big Texas bank which has been one of the hardest hit by the collapse in oil prices, reported a net loss of $281.1m, or $4.18 per share.

This was in line with its earlier forecast. The group's provision for loan losses totalled $328.2m, more than six times the figure in the first three months of 1986. However, its net loan charge-offs in the second quarter rose to $83.8m, compared with a year earlier.

Non-performing assets at the end of June totalled $977m, or 6.75 per cent of loans, compared with $796m, or 5.13 per cent of loans a year ago. The group's reserve for loan losses totalled $510m, or 3.56 per cent of loans outstanding at end June, compared with $278m, or 1.81 per cent, a year ago. The group's shares were unchanged early yesterday at $6¼.

valuing the group, which has assets of $19.2m, at $411m.

Continental Illinois, the big Chicago banking group which was rescued by the US Government after a run on its deposits, has increased its second-quarter net income by 9 per cent to $40.5m or 15 cents a share.

Mr John E. Swearingen, the chairman of Continental, said that the increase in earnings was attributable to higher net interest income, due primarily to a gain on the sale of real estate and improved trading profits. These factors were partly offset by lower net interest income, higher non-interest expense and an increase in the provision for loan losses.

The group's non-performing loans totalled $800m, or 4.13 per cent of total loans, at the end of June compared with $911m a year ago.

Apple reverses industry trend with sales and profit growth

BY LOUISE KEHOE IN SAN FRANCISCO

APPLE Computer, the Silicon Valley personal computer manufacturer, has reported sales and profit growth in its third fiscal quarter despite a general softness in the US personal computer market.

The company reported earnings of $32.3m or 49 cents per share for the quarter ending June 27. In the same quarter last year Apple had losses of $17.2m, which included a $40.3m pre-tax charge due to plant closures and lay-offs.

Sales for the period were $448.3m, an increase of 20 per cent over the year-ago period when net sales of $374.9m were recorded.

"These results are in line with our expectations," said Mr John Sculley, chairman and chief executive. "We intend to increase investment spending to sustain our revenue growth in future quarters," he added.

Apple is expected to launch an updated version of its Apple II home and school computer in September. The company is also understood to be planning major product announcements for early 1987 including a range of new Macintosh computers aimed at business and engineering markets.

Key features of the new Macintosh versions will include options that enable the computers to run software designed for IBM-compatible personal computers. The company is also expected to launch a major marketing effort to penetrate the market for engineering workstations.

Gross margins for the third quarter rose to 52.7 per cent from 41.2 per cent in the same quarter last year, reflecting cost controls. Margins for the third quarter were, however, lower than the 56.6 per cent reported in the second quarter of 1986.

Profits so far this year totalled $121m or $1.89 per share compared to $38.8m or 63 cents per share for the first nine months of fiscal 1985.

US drug groups show good results

BY OUR NEW YORK STAFF

PFIZER AND UPJOHN, two of the leading US pharmaceuticals and health care groups, reported higher second-quarter profits, helped by the more competitive dollar, growth in the US market, and cost reductions.

Net income at Pfizer amounted to $156.1m or 92 cents a share against $137.5m or 81 cents a share in the same period of last year, while sales increased to $1.1bn from $1bn. For the first six months of the year, after-tax profits rose by 14 per cent to $325m or $1.92 a share from $284.9m or $1.69 a share. Sales advanced to $2.15bn from $1.95bn.

The company said results had been helped by the weakening of the dollar, which boosted international sales growth from 4 per cent to 12 per cent of currency translation. At the same time, however, Pfizer added that most of this boost to profits had been offset by a combination of price declines in certain foreign markets – particularly Japan – and by higher costs. As a result, most of the growth in net income came from the US.

At Upjohn, net second-quarter profits jumped to $64.7m or $1.04 a share from $54m or 88 cents a share in the same period of last year, while sales rose to $594m from $543m. For the first six months, earnings rose to $127.7m or $2.05 a share from $105.6m or $1.72 a share in 1985. Sales in the half-year period were also up by around 11 per cent, rising to $1.13bn from $1.02bn.

UK Kis to be bought by its management

BY ANDREW BAXTER IN LONDON

KIS SERVICES (UK), the British arm of the Grenoble-based Kis France instant services group, is being bought by its management for an undisclosed sum in an attempt to improve service to customers and raise profits.

The UK offshoot is known principally for its photographic minilabs, which it sells mainly to small businessmen. Minilabs, which can run profitably developing low volumes of photographic film, have been particularly successful in France and the US, displacing larger film laboratories.

The parent company, whose name stands for "keep it simple," was founded in 1963 by Mr Serge Crasnianski, a former nuclear physicist, who started a business empire based on the principle that people are prepared to pay extra for the convenience of getting a job done fast.

The group now has worldwide sales of about $2bn, and about 60 per cent of the world minilab market. It also produces key-cutting machines, shoe-mending equipment, photographic enlargers and colour copiers.

However, rapid expansion has brought problems in some countries, and losses in the UK. Mr Patrick Jaubert, managing director of Kis Services, said the company lost £600,000 ($887,400) up to June last year.

The new company will be renamed Colour and Photographic Technology Services.

Hospital cost controls hit HCA income

By Our New York Staff

HOSPITAL Corporation of America, the biggest operator of proprietary hospitals in the US, has reported a 25 per cent drop in net income during the second quarter to $68.8m from $92.6m in the same period last year.

Earnings per share dropped to 82 cents from $1.02 and fell short of Wall Street's hopes that the first quarter level of $1.10 could be maintained.

Mr Thomas Frist, chairman and chief executive pointed out that second quarter earnings last year were buoyed by a $26m after-tax gain on a disposal, which had been worth 29 cents a share. He also drew attention to the 25 per cent rise in operating revenues during the period to $1.5bn from $1.2bn.

Income from operations, however, rose by only 5.5 per cent to $108m from $102m.

HCA's difficulties in recent years, in common with the rest of the hospital sector, have arisen from the much stricter controls by health insurance companies and agencies on the soaring costs of treatment. Mr Frist said the rate of decline in hospital admission rates had been slowing down, while there had been signficant increases in revenues from outpatient treatment. In part, he acknowledged, the company's revenue growth was also due to the net addition of seven new hospitals.

Amax may buy Mitsui's share of Alumax

By Our New York Staff

AMAX, the big US mining and metals group which is struggling to return to profitability, has announced that it is in talks to buy out its Japanese partners' half share in Alumax, the low-cost aluminium company which has remained consistently profitable through the past few years of depressed conditions in the industry.

Amax said a proposal had been made to it by Mitsui, the Japanese trading house which owns 45 per cent, and Nippon Steel which owns the remaining 5 per cent. Should the deal go through, Amax anticipates paying out "well above $400m".

Although the details have not yet been agreed, part of the payment to Mitsui is likely to be in the form of preferred stock convertible into Amax common shares, so that the Japanese company would become a significant shareholder in Amax itself, should it choose to exercise its conversion rights. Nippon Steel's smaller holding would be bought out for cash.

Buying out the remaining shares in Alumax is attractive to Amax as a means of raising its North American earnings from value-added aluminium products such as architectural profiles, building materials and aluminium sheet. Such a move is in line with the group's desire to move away from its past heavy dependence on volatile metal prices.

An additional reason for Amax wanting to raise its earnings from domestic US operations as high as possible is that it still has an accumulated $1.7bn loss, incurred during the past four years, available to be carried forward for tax purposes.

Price competition hits AMR in second quarter

BY TERRY DODSWORTH IN NEW YORK

AMR, PARENT company of American Airlines, the second-largest US carrier, suffered a sharp setback in earnings in the second quarter of this year, mainly as a result of the intense price competition during the period.

Net income fell by 26 per cent to $128.2m or $2.07 a share from $173.9m or $2.98 a share while revenues slid by 10 per cent to $1.52bn from $1.69bn in 1985. Over the first six months, earnings fell to $132.4m or $2.16 a share, from $234.1m, or $4.20 a share in the same period of last year. Revenues for the six months came to $2.97bn against $3.08bn.

Mr Robert Crandall, chairman, said the results continued to reflect the effects of competition in the industry. "The year-on-year decline in our yield which was caused by that competition was partially offset by a small increase in passenger volume, lower fuel prices and continued stringent costs control," he said.

The pressure on prices was illustrated by a 12.5 per cent decline in the airline's yield – the average amount of revenue collected per passenger mile. That fall, however, was offset to some degree by a cut in operating expenses of 0.7 per cent and a slight – 1.5 per cent – increase in passenger volume.

"Our cost per available seat-mile, influenced by the favourable economics of growth and by lower fuel prices, declined from 7.96 cents last year to 7.35 cents during the second quarter of this year," said Mr Crandall.

TWA bid for Ozark faces legal hurdle

BY OUR NEW YORK STAFF

THE US Justice Department is seeking to block Trans World Airline's $225m acquisition of Ozark, a struggling regional carrier, on the grounds that the deal would substantially reduce competition to and from St Louis, where both airlines have major operations.

The decision is another blow for TWA, which has been hit by heavy losses this year as a result of the slump in US tourist traffic across the Atlantic, its biggest route, following the terrorist bombings in Europe. The acquisition of Ozark is an important element in TWA's battle to restore its financial fortunes and TWA is expected to challenge the Justice Department's view that it is unlikely that other carriers can build a competitive position at St Louis within a reasonable period of time if the Ozark deal goes through.

Both carriers maintain important operations in and out of St Louis where competition has been particularly intense since the 1985 entry of People Express, the cut-price airline which is itself facing serious financial problems. TWA lost $193m in 1985 and another $169.6m in the first quarter of 1986.

Mr Carl Icahn, the corporate raider who took control of TWA earlier this year, wants to take over Ozark in order to gain access to its fleet of 50 smaller aircraft and gain access to markets where it would find it difficult to expand.

The Justice Department said in a brief filed with the Transportation Department that a merger between TWA and almost any other airline would raise fewer anti-trust problems. However, it did not completely rule out a merger between the two airlines and said that if 10 or more gates at St Louis airport could be made available for use by a new carrier, it would raise its objections.

Dee makes further US acquisition

By Charles Batchelor in London

DEE Corporation, the rapidly expanding UK supermarket group headed, by Mr Alec Monk, is making its second acquisition in the US this year of a major sporting goods retailer. Dee is to pay $66.55m for M&H Sporting Goods, a Salt Lake City, Utah based chain with 41 outlets trading as Sunset Sports Centers and Wolfes in the north-western states of the US. M&H is the fourth largest sports retailer in the US.

The latest purchase comes only four months after Dee paid £278m for Herman's Sporting Goods, a New Jersey-based company and the largest sporting goods retailer in the US with 131 stores in the north-east and mid-west states.

The M&H stores made a pre-tax profit of $6.2m on sales of $108m in the year ended August 1985. They will be integrated into the Herman's chain and ultimately renamed.

The latest purchase consolidated Dee's position as the leading specialist retailer in the US in this field but the British group still has only 4 per cent share of the highly fragmented $14bn market, Dee said. Most outlets are individual stores

Mr Kevin O'Keeffe, president of Dee Corporation of America, said this deal would give Herman's a strong base for expansion in the western US.

Carling plans asset sale in bid to expand

By Robert Gibbens in Montreal

CARLING O'KEEFE, struggling to improve on its 23 per cent share of the Canadian beer market, is evaluating most of its assets and would consider any serious offers except for the Quebec Nordiques hockey team, chairman Roderick McInnes told the annual meeting in Toronto.

The parent company, Rothmans, which holds 51 per cent of Carling, has received "expressions of interest" in several of the Carling businesses, said Mr McInnes, but he would not elaborate.

Carling has been number three in the Canadian market und recently introduced an Australian lager into the key Ontario market.

Caring's results rebounded sharply in the three months ended June 30, the first quarter of fiscal 1987, with net operating income of C$8.4m (US$4.8m)

Northrop income falls by 75%

BY OUR NEW YORK STAFF

NORTHROP, the US military aerospace group, reported a 75 per cent drop in second quarter net income to $23.1m which it blamed partly on the absence of some special gains in the comparable quarter of last year and the extra costs associated with a new classified defence contract.

Northrop's shares fell sharply on Wall Street yesterday following the news of the $1.50 drop in earnings per share to $0.49 per share. For the six months net income is down 55 per cent at $62.4m or $1.34 per share.

The company said that the drop in profits was the result of "several significant items". These included the fact that the second quarter a year ago benefited from the receipt of $50m as part of a settlement of a dispute with McDonnell Douglas and $34m from the insurance on the loss of a F-20 aircraft. By contrast, in the second quarter of 1986, net income was reduced as a result of lower margins in the early phases of some classified programmes, including provision for expenditures that the company expects to invest in a classified new programme received during the quarter.

Sales in the latest three months rose by 15 per cent to $1.4bn

INTL. COMPANIES and FINANCE

Philippines cuts role of state banks

BY CHRIS SHEWELL AND SAMUEL SENOREN IN MANILA

PHILIPPINE National Bank (PNB) and Development Bank of the Philippines (DBP), two of the country's state-owned banks, are to compete directly with private sector banks under a major policy change, the Philippines government confirmed yesterday.

According to a memorandum to President Corazon Aquino, from Mr Jaime Ongpin, the Finance Minister, and Mr Jose Fernandez, the Central Bank Governor, the size and scope of the two banks' operations will be reduced to cut their share of overall commercial banking business from a half to a quarter.

With the sale of six other banks, the government's direct involvement in the sector will be sharply reduced and the banking system will become more market oriented.

The announcement of the move coincided with the start of talks with the International Monetary Fund on the terms of a new 18-month standby credit of up to SDR 615m (US$518.9m). The IMF has long wanted Manila to reduce the budgetary burden of state-owned banks.

The government also hopes the change will facilitate a World Bank loan of $200m to $250m which can be used to cover part of its vastly increased budget deficit of 27bn pesos (US$1.3bn) equivalent to about 4 per cent of gross national product.

A major part of the increased deficit is due to PNB and DBP which will need a subsidy of 19m pesos in 1986. This represents around 17 per cent of the whole budget, according to latest government figures.

The new move will not of itself help the government, which will now take on bad loans worth 54m pesos from PNB and 65m pesos from DBP. But they will give the banks a clean balance sheet, and the government is making arrangements for the disposal of their non-performing assets under a privatisation scheme still to be finalised.

The six other banks to be sold were previously owned by businessmen but then acquired by various government agencies. They include International Corporate Bank (Interbank); Pilipinas Bank, which is a subsidiary of PNB; Associated Bank; Commercial Bank of Manila (Combank); Union Bank; and Republic Planters Bank.

Recently American Express took a 40 per cent stake in Interbank. Earlier this year Combank held a bout of talks with Bank of Hawaii on equity participation. The six banks have a 6 per cent share in commecial banking business and currently hold 1.6 pesos in government deposits.

Under the latest government action, PNB and DBP will both lose the advantages they held over private banks, such as the extension of special guarantees, and their obligations will no longer enjoy guarantees from the government. The government will also reduce its deposits with them and make no additional capital infusion.

Yesterday's statement says PNB's assets will now amount to 24bn pesos, while DBP's 10bn pesos. Their net worth will be 3bn pesos, and 2bn pesos respectively. The banks' continued existence will depend on their performance, so redundant branches are likely to be closed.

Record results for Bank of New Zealand

By Dai Hayward in Wellington

THE STATE-OWNED Bank of New Zealand has reported record net profits of NZ$100.6m (US$53.65m) for the year to March, a rise of 34 per cent.

As sole shareholder, the government received a dividend of NZ$20m. This was in addition to NZ$105.6m in tax, up 59 per cent on the previous year.

The result was achieved on revenue of NZ$579.9m and after expenses of NZ$372m.

Government approval was given earlier this month for the bank to raise NZ$150m through a public share flotation, although the government will retain all the voting capital.

Mr Bob McKay, chief executive, said the profit result would support a successful flotation and demonstrated the bank's ability to maintain a good performance.

"The past year's profit performance has been achieved despite the constraints placed on business growth because of the need for additional capital."

Malaysia lifts directives on non-performing loans

BY WONG SULONG IN KUALA LUMPUR

BANK NEGARA, the Malaysian central bank, has informed the country's commercial banks that it is unofficially lifting its tough directives on non-performing loans, in a move to ease the financial problems of businessmen who are facing strong pressure to repay their loans.

The directives were imposed early last year, following the Bank Bumiputra billion-dollar loan scandal in Hong Kong. Under the rules, Malaysian banks are to stop treating as income interest on non-performing loans, so as to give a more accurate picture of their financial position.

This has led many banks to pressure businessmen to repay their loans, at a time when many of them are facing difficulties. These in turn come as a result of the collapse of the share and property markets.

The lifting of the directives on non-performing loans was approved by the cabinet and conveyed to the banks by Dato Jaafar Hussein, Bank Negara's governor.

The authorities believe that the Malaysian banking sector is basically sound. Of the two dozen banks which have had their accounts audited by Bank Negara up to the end of March, only three faced difficulties if non-performing loans were taken into account. Even they would be adequately secured if their portfolios of such loans were to be spread over two to three years.

Group profits up 42% at C Itoh

By Ian Rodger in Tokyo

CONSOLIDATED net profits of C Itoh, the third largest Japanese trading group, rose by 42 per cent to Y18.5bn ($116m) in the year to March.

The group said all divisions participated in the advance, but sales of machinery were particularly strong. However, by the end of the fiscal year, the group was beginning to feel the effects of setbacks in major foreign markets and the rapid appreciation of the yen.

Total sales rose from Y14,545bn to Y15,900bn. Import transactions declined slightly because of the fall in oil prices.

At the pre-tax level, profits were down 7 per cent to Y25.4bn, reflecting the deconsolidation of C Itoh Fuel.

Downturn for Bangkok Bank

By Boonsong K'Thana in Bangkok

BANGKOK BANK, Asean's largest bank in terms of assets, has reported a 30.6 per cent drop in net profits for the first half of 1986 to 603m baht ($22.75m).

Lending increased by 31.8 per cent to 196.65bn baht. Deposits rose by 5 per cent to 195.09bn baht, but assets fell by 2.2 per cent to 263.20m baht. The bank said the result was not satisfactory, blaming it on the economic recession.

AIBD BOND INDICES

WEEKLY EUROBOND GUIDE JULY 11

	Redemption Yield	Change on Week %	12 Months High	12 Months Low
US Dollar	9.257	−0.355	10.850	9.094
Australian Dollar	13.587	2.877	14.630	12.600
Canadian Dollar	10.563	−0.612	11.840	10.489
Euroguilder	6.051	−1.111	6.990	5.971
Euro Currency Unit	8.498	1.239	9.580	8.164
Yen	6.405	−0.331	7.250	6.307
Sterling	10.107	0.738	11.932	9.751
Deutschemark	6.531	−0.381	7.210	6.418

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INTERN. COMPANIES AND FINANCE

Societe Generale Belgique lifts earnings by 40%

BY TIM DICKSON IN BRUSSELS

SOCIETE GENERALE de BELGIQUE, Belgium's biggest and most powerful industrial holding group, yesterday announced consolidated profits of BFr 5.33bn ($120m), a 40 per cent increase on the 1984 figure.

Adjusted profits per share, however, were only 21.6 per cent ahead at BFr 233.2, reflecting the recent substantial capital increases by the group.

The figures take into account all the companies in which Societe Generale has more than a 20 per cent stake. Its own results—reflecting a similar profits surge to BFr 2.8bn in 1985—were published earlier this year.

The group explained that the impetus for much of the improved group performance came from its interests in non-ferrous metals — which have undergone a substantial reorganisation — chemicals and banking. For the future Societe Generale has identified the financial sector (where it now has a 50 per cent stake in London-based Dillon Read), international trading and telecommunications as having the best growth potential.

All eyes at Societe Generale are now on Paris, where a decision is due to be taken by the French Government before the end of this month on ITT's proposed link-up with France's Compagnie Generale d'Electricite.

The Belgian group hopes to take roughly a 10 per cent minority stake in the new holding company. This would help forge an even closer relationship with CGE, with which Societe Generale already has a joint controlling interest in ACEC, the troubled Belgian technology business.

Yesterday's statement showed that Societe Generale's BFr 2.79bn dividend payments, represent some 60 per cent of group profits.

Total shareholders' equity is up from BFr 80.9bn to BFr 88.6bn.

Euromobiliare seeks bank status

BY ALAN FRIEDMAN IN MILAN

EUROMOBILIARE, the Milan-based investment bank and securities house which is controlled by Mr Carlo De Benedetti, is to ask the Bank of Italy for permission to become a recognised and fully fledged bank. If the central bank in Rome gives its permission this would allow Euromobiliare to begin a deposit-taking business.

The investment bank, which has total assets of around L300bn ($203m), is seeking to become a private bank and does not intend to open a branch network. Euromobiliare, which is 21 per cent owned by Mr De Benedetti's Sabaudia holding company, was formed in 1973 by Mr Guido Roberto Vitale, its managing director.

Euromobiliare, in which Britain's Samuel Montagu holds a 5 per cent equity stake, at present has no formal standing as a bank.

The institution, one of Milan's earliest advocates of consolidated balance sheets, externally audited accounts and other practices which have been slow to take root in Italian finance, engages in corporate finance, mergers and acquisitions, new stock market issues, portfolio management and Eurobond trading. It has more than L1,000bn of funds under management.

Euromobiliare has a staff of 97, of whom 40 are involved in corporate and stock market activities. In the last financial year to June 1985 it had a net profit of L9.1bn. Profit for the half year to last December was L4.3bn.

Suez buys Chicago commodity trader

By David Marsh in Paris

BANQUE INDOSUEZ, the internationally-operating French bank, has bought a majority stake in GNP Commodities, one of the most important financial traders on the Chicago futures markets.

The move to spread its US futures and options activities is part of the bank's strategy of stepping up its development of new financial products. The bank aims particularly to strengthen links between its US futures operations and its trading on the newly opened Paris financial futures market.

GNP Commodities, set up in 1972, has a staff of just under 200, and is headed by Mr Brian Monieson, a former chairman of the Chicago Mercantile Exchange. He will continue to direct the group, with a number of Banque Indosuez executives coming on to the board.

Banque Indosuez, owned by the nationalised Compagnie Financiere de Suez financial group, has already built up a strong track record in France in offering futures and options services to its corporate and institutional clients.

American disposal by Schering

By Leslie Colitt in Berlin

SCHERING, the West German pharmaceutical and chemical company, has sold Nepera, its US fine chemicals subsidiary, to the CasChem group in New Jersey for an undisclosed sum.

The sale was part of Schering's earlier announced divestment of its fine chemicals division. Nepera, in Harriman, New York, had sales of $46m last year and losses of DM 8.4m ($3.9m).

Nepera will operate as a wholly-owned subsidiary of CasChem, a privately owned company—producing chemicals and process technologies for the manufacture of printed circuits.

Schering is also looking for a buyer for its wholly-owned Diamalt subsidiary in Munich, which is part of the fine chemicals division. Discussions with several interested parties are said to be in progress. Diamalt had a loss last year of DM 7.8m.

Schering had earnings last year of DM 173m on sales of DM 5.1bn.

Wessanen proposes US takeover

By Laura Raun in Amsterdam

WESSANEN, the Dutch food and consumer products group, plans a cash purchase of John E. Cain of Massachusetts, in an attempt to strengthen further its US operations.

John E. Cain has established a strong market position in premium sauces, dressings and pickles in the New England area, where Wessanen is also active. The American company's production and distribution activities will mesh with Wessanen's operations, which include Crowley Foods and Heluva Good Cheese in New York.

With annual sales of $40m and a workforce of 250, Cain is expected to lift Wessanen's US turnover above $500m a year. Revenue from the US already accounts for about half of the Dutch group's total turnover.

Saga plans link-up deals

BY FAY GJESTER IN OSLO

SAGA PETROLEUM, the Norwegian oil independent, is studying various alternative solutions to its severe liquidity problems, following the failure on Tuesday of merger talks with Elf Aquitaine Norge, Norwegian subsidiary of the French petroleum and industrial group.

A counter-offer made last week by Norsk Hydro, the Norwegian energy and industrial concern, has apparently been put to one side for the moment, while Saga considers what it describes as "far more interesting" co-operation proposals it claims to have received.

One suggestion is that Saga should float a convertible loan bond, to be taken up by the state, with repayment either in cash or in Saga shares, at par, within about seven years. Another possibility would be for Saga to swap with other oil companies some of its stakes in undeveloped discoveries for shares in producing fields, thereby boosting its cash flow over the next few crucial years.

DnC acquires estate agent

DEN NORSKE Creditbank, Norway's largest commercial bank, has extended its interest in the country's booming property sector by acquiring Bemark & Rygh, one of the largest Norwegian real estate agents, for an undisclosed sum, write Our Oslo Correspondent.

The firm will continue to operate as an independent unit, led by its former managing director and 80 per cent owner, Mr Bård Bemark. Last year it handled property deals worth about NKr 550m ($73m) and showed a profit of NKr 1m.

N. AMERICAN QUARTERLIES

AVON PRODUCTS
Cosmetics, toiletries

Second quarter	1986 $	1985 $
Revenue	711.9m	585.7m
Op. net profits	36.9m	31.9m
Op. net per share	0.55	0.49
Six months		
Revenue	1.32bn	1.11bn
Op. net profits	54.6m	45.5m
Op. net per share	0.76	0.57

CHESEBROUGH-PONDS
Toiletries

Second quarter	1986 $	1985 $
Revenue	800.5m	770.7m
Net profits	48m	24.2m
Net per share	1.13	0.59

CINCINNATI MILACRON
Machine tools

Second quarter	1986 $	1985 $
Revenue	208.1m	172.8m
Net profits	5.7m	1.2m
Net per share	0.24	0.05
Six months		
Revenue	388.8m	334.1m
Net profits	10.9m	4.7m
Net per share	0.46	0.20

EMHART
Industrial, consumer products

Second quarter	1986 $	1985 $
Revenue	527.9m	449.5m
Net profits	19.5m	26.7m
Net per share	0.67	0.95

FEDERAL EXPRESS
Package delivery service

Fourth quarter	1985-86 $	1984-85 $
Revenue	723.2m	592.7m
Net profits	38m	41.9m
Net per share	0.76	0.89
Year		
Revenue	2.61bn	2.03bn
Net profits	131.8m	76m
Net per share	2.84	1.61

H. F. AHMANSON
Savings and loans

Second quarter	1986 $	1985 $
Revenue	771.7m	747m
Net profits	76.6m	55.3m
Net per share	0.80	0.66
Six months		
Revenue	1.53bn	1.47bn
Net profits	144.4m	91.8m
Net per share	1.60	1.09

LSI LOGIC
Electronics

Second quarter	1986 $	1985 $
Revenue	47.9m	33.2m
Net profits	768,000	2.2m
Net per share	0.02	0.06
Six months		
Revenue	93.3m	64.1m
Net profits	3.5m	3.7m
Net per share	0.09	0.10

OWENS-CORNING FIBERGLAS
Glass fibre products

Second quarter	1986 $	1985 $
Revenue	929.3m	789.9m
Net profits	34.9m	20.2m
Net per share	1.16	0.68
Six months		
Revenue	1.79bn	1.5bn
Net profits	57.8m	48.2m
Net per share	1.93	1.63

INTL. COMPANIES & FINANCE

Mercedes Eurobond better met than NIB's

By Alexander Nicoll

THE EUROBOND market's fickle nature showed through yesterday in contrasting receptions for straight dollar Eurobonds issued respectively by Mercedes Benz Credit Corporation and Nordic Investment Bank (NIB).

The $100m deals each had identical terms, with a seven-year life and 7¼ per cent coupon, except that NIB's was priced at 100¾ compared with par for Mercedes. The price differential might have appeared reasonable given that NIB is triple A rated, while the Mercedes deal is neither rated nor guaranteed, either by the parent, Mercedes Benz of North America, or by the ultimate owner, Daimler-Benz of West Germany.

The Mercedes unit, making its first venture into the Eurobond market, was well received as an attractive, prestigious brand-name and traded at discounts to issue price far less than the total fees, according to lead manager Deutsche Bank Capital Markets.

NIB's issue, brought at 51 basis points over US Treasuries, was deemed tight and was quoted by the lead manager, Salomon Brothers International, with a bid price of 2¼ points below the issue price as against total fees of 1¾.

Wells Fargo, the US West Coast bank, issued $200m of 12-year floating-rate notes which went down well. Led by Morgan Stanley International, the issue has a margin of ⅛ over three-month London interbank offered rates (Libor). It is callable after three years.

Dai-Ichi Kangyo International brought the latest in a series of innovative deals which, in return for a high yield, tie the investor's return to risk force factors exogenous to the bond market. Called a Duet Bond, the $100m issue for Denmark has the added twist that, not simply the redemption amount but also the size of each coupon payment, depends on the dollar/yen rate.

The Danish bond, priced at 101¼, would pay a coupon of 10 per cent and would be redeemed at maturity at par if the dollar/yen rate were to remain constant at Y163. Interest payments and redemption amount, however, will be calculated according to formulae under which the investor gets more if the dollar appreciates, and less if it weakens further.

In the D-mark market, the Inter-American Development Bank made a DM 300m 10-year issue led by Deutsche Bank with a 6¼ per cent coupon and price of 99¼. Though the issue came late in the day, initial indications had the deal traded well within its fees.

A mixed reception was accorded to a DM 100m 10-year, 6¾ per cent issue for Brewer Landesbank, including warrants which holders could exercise at par into identical bonds if an interest rate fall made this attractive. The package, led by the German subsidiary of Union Bank of Switzerland, is priced at 102.9 and bids ranged both inside and outside the fees.

A pure warrant deal was launched for WestLB Finance, exercisable into up to 250,000 6¼ per cent bonds due 1998 guaranteed by parent Westdeutsche Landesbank. The issue was quoted by lead manager CSFB-Effectenbank at DM 33 to DM 37.

D-mark bonds prices rose ¼ to ½ in more active trading, on currency factors and with supra-national issues benefiting most.

Automated bond trading by 1987

By Our Euromarkets Correspondent

AN AUTOMATED price display and trading system now under study for the Eurobond market could be in operation in London and Switzerland as early as the end of next year, the Association of International Bond Dealers (AIBD) announced.

The system, being designed in co-operation with the US National Association of Securities Dealers (NASD), would enable the Eurobond market, which turned over $2,200bn last year, to become the first fixed-income market to provide comprehensive dissemination and computer screen display of market data, including current quotations.

Mr John Walters, AIBD Secretary-General, said in Washington that outline proposals for the system were now being made public following the conclusion of an initial technical study carried out with NASD.

An exhaustive study, approved by the AIBD annual meeting in Singapore last May, is due to be presented to its board in October and, subject to endorsement by the board, would be presented to the full AIBD membership later this year.

Planned reforms sharpen IASC regulatory teeth

BY DAVID MARSH IN PARIS

THE International Association of Securities Commissions, a grouping of stock exchange regulatory bodies mainly from North and South America, has always had the reputation of being a rather sleepy organisation whose annual get-togethers gave the opportunity for jamborees rather than jaw-boning.

That now looks likely to change. As a result of booming business and the increasing interconnection between international securities markets, the need for closer co-operation between different countries' regulatory authorities has never been greater.

On the first day of the IASC's three-day annual meeting in Paris yesterday, delegates agreed on a fundamental reform of the organisation's structures destined to turn it into a genuine international securities watchdog.

The IASC will set up a permanent secretariat headquartered in Quebec and will also establish a series of regional committees to keep an eye on securities market developments in Europe, adding to the American committee which exists already.

Finally, the meeting — attended by delegates from 20 member countries as well as from 25 observer nations — agreed to liberalise its statutes to allow more European countries to join.

The IASC has traditionally been dominated by the US Securities and Exchange Commission (SEC) since it was set up in the 1970s.

The organisatiton has admitted non-American members only since 1983. They now total eight—Australia, South Korea, France, Hong Kong, Indonesia, Nigeria, Tunisia and the UK. Relaxing the rules on allowing in countries which had previously held only observer status should, according to conference officials, bring in Spain, Portugal, Italy and Norway fairly quickly, with Belgium, the Netherlands and Luxembourg also interested in joining. However, neither Switzerland nor West Germany look likely candidates.

The impetus for increasing the muscle of the IASC appears to have come above all from the SEC. Confronted with the task of building up an effective mechanism for exchanging information among regulatory agencies, especially to deal with insider trading and fraud, the SEC has become a great deal more international in its outlook over the past few years.

Mr John Shad, the SEC chairman, yesterday launched a strong plea for more bilateral and multilateral co-operation to combat abusers of securities markets, whom he labelled plainly as "criminals."

"It is in the interest of all nations to expose and prosecute the fringe element who would lie, cheat and steal from legitimate investors. All of us bear the cost of such abuse," he said. "In addition to multimillion dollar frauds, it results in less efficient markets, higher insurance and other costs, and most important the inhibition of individual and institutional investors."

This week's Paris session represents the first time the IASC has held an annual meeting outside the American continent. Mr Yves Le Portz, the chairman of the Commissione des Operations de Bourse (COB), France's stock exchange regulatory body, who is presiding over the meeting, has played an important part in steering the IASC towards a more effective role.

Rolls-Royce facility increased

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

THE LOAN facility being assembled by Rolls-Royce as part of its bid to supply engines to British Airways has been increased to $2.3bn from $2.1bn following heavy oversubscription at lead-manager level, Goldman Sachs said as arranger yesterday.

Goldman said that 10 major banks have now agreed to act as underwriters in the deal for which Citicorp and National Westminster will act as joint agents.

Interest in the financing has been very strong, it added, so that the underwriting commitments of lead managers have already had to be scaled back even after allowing for the increase.

Goldman declined to give terms of the 15-year facility. It forms part of Rolls' bid to win an order to supply engines for 16 new Boeing 747 aircraft which British Airways is buying. Syndication of the facility will only proceed if Rolls' bid is accepted.

Market expectations are that the Rolls financing carries an initial facility fee of some 20 basis points which would increase as time goes by. This is a generous fee structure in comparison with current market levels and may well explain the enthusiasm of banks.

Other underwriters are Barclays, Chase Manhattan, Chemical, First Chicago, Midland, Mitsubishi Trust and Banking, Standard Chartered and Toronto Dominion.

The generous terms reflect both the maturity of the deal and its size, which has obliged underwriters to make large initial commitments. Another complicating factor is that the deal will be secured against the aircraft themselves. Since delivery will not start until 1989 banks are taking a risk in setting pricing of the facility now.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.

Closing prices on July 16

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Gencor Group

Gold mining companies' reports for the quarter ended 30 June 1986

All companies mentioned are incorporated in the Republic of South Africa

WEST RAND Consolidated Mines Limited

Company Registration No. 01/01978/06

Directors: W.B. Evans (Chairman); G.S. Lee*; H.G. Mosenthal; C.R. Netscher; E. Pavitt; K.C. Whyte. Alternates: J.H.J. Burke; F.S. Clarke; P.J. Cook; D.J.D. Ross; J.C. Willemse. *British

Issued capital – 4 250 000 ordinary shares of R1 each. – 25 000 deferred shares of R2 each.

OPERATING RESULTS	Quarter ended 30.6.1986	Quarter ended 31.3.1986	6 months ended 30.6.1986
Mined (m²)	106 117	107 570	213 687
Ore milled (t)	520 000	510 000	1 030 000
Gold produced (kg)	1 001	1 000	2 001
Yield (g/t)	1,9	2,0	1,9
Working revenue (R/t milled)	46,57	46,29	46,43
Working costs (R/t milled)	44,34	42,76	43,51
(R/m² mined)	216,81	201,69	208,79
Working income (R/t milled)	2,23	3,53	2,92
Gold price received (R/kg)	24 138	23 520	23 823
($/oz)	351	345	348
FINANCIAL RESULTS (R'000)			
Working revenue	24 216	23 608	47 823
Working costs	23 057	21 805	44 812
Working income	1 159	1 803	3 011
Sundry income – net	483	784	1 477
Tribute and royalties – net	(287)	(769)	(1 056)
Income before taxation	1 614	1 818	3 433
Taxation	(119)	119	—
Income after taxation	R1 733	R1 700	R3 433
Capital expenditure	760	510	1 270
Dividends declared	1 700	—	1 700
DEVELOPMENT			
Advanced (m)	5 811	5 239	11 050
Advanced on reef (m)	2 148	1 981	4 129
Sampled (m)	2 226	2 010	4 236
Channel width (cm)	72	81	76
Average value – gold (g/t)	6,8	9,3	8,1
– (cm.g/t)	490	751	616

ORE RESERVES as at 30 June 1986

	Available	Un-available	In-accessible	Total
Tons (000's)	795	489	3 699	4 983
Stope width (cm)	95	107	105	104
Value – gold (g/t)	7,15	6,11	6,86	6,84
– (cm.g/t)	681	655	722	715

Ore reserve pay limit was calculated at an estimated gold price of R24 000/kg.

REMARKS

Capital expenditure
Estimated total capital expenditure for the remainder of the current financial year – R3 000 000.
Commitments in respect of contracts placed – R42 000.

Dividends
On 5 June 1986 dividend No. 109 of 30 cents per ordinary share and dividend No. 100 of R17,00 per deferred share were declared payable to shareholders registered on 20 June 1986. Dividend warrants will be posted on 8 August 1986.

Dump milling
A total of 139 500 tons (March quarter 147 000 tons) of sand from the North Sand Dump and slimes from No. 1 Slimes Dam was treated.

Gold forward sales
In order to ensure the profitability of its mining operations, the mine has sold forward a portion of its expected gold production to November 1986. Prices range from R24 670 per kilogram in July to R25 230 per kilogram in November. The attention of shareholders is drawn to the fact that the above transactions may be closed out prior to maturity date, or rolled over at any time. The effect of transactions closed out during the quarter is brought to account in working revenue.

BUFFELSFONTEIN Gold Mining Company Limited

Company Registration No. 05/33934/06

Directors: J.C. Fritz (Chairman); D.J. Crowe*; T.L. de Beer; W.B. Evans; E.P. Gush; G.S. Lee*; C.R. Netscher; E. Pavitt; T.L. Pretorius; T.J. Steenkamp; L.W.P. van den Bosch. Alternates: F.S. Clarke; P.J. Cook; P.J. Eustace; M.D. Hanson; L. Hewitt; J.E. van Niekerk; P. Taljaard. *British. Honorary President: J. Scott (Non-executive)

Issued capital – 11 000 000 ordinary shares of R1 each. – 12 400 159 cumulative preference shares of R1 each.

OPERATING RESULTS	Quarter ended 30.6.1986	Quarter ended 31.3.1986	Year ended 30.6.1986
Gold			
Mined (m²)	179 118	183 822	727 349
Ore milled (t)	761 000	704 000	3 148 000
Gold produced (kg)	6 189	6 030	26 035
Yield (g/t)	8,1	8,6	8,3
Working revenue (R/t milled)	195,42	211,38	207,21
Working costs (R/t milled)	112,09	117,67	103,47
(R/m² mined)	477,21	427,85	446,21
Working income (R/t milled)	85,41	93,71	103,84
Gold price received (R/kg)	24 105	24 621	25 030
($/oz)	346	348	357
Uranium			
Pulp treated (t)	761 000	704 000	3 070 000
Oxide produced (t)	136	180,0	654
Yield (kg/t)	0,18	0,23	0,21
FINANCIAL RESULTS (R'000)			
Gold – Working revenue	148 012	148 808	652 183
– Working costs	84 115	82 841	325 515
– Working income	64 897	65 959	326 668
Uranium – Working income	11 772	25 466	50 280
Sundry income – net	5 693	5 351	24 183
Dividends received	1 208	—	3 800
Share of income – Beatrix division	2 916	—	2 916
Tribute and royalties – net	(11 068)	(18 398)	(62 400)
Income before taxation and State's share of income	75 579	78 928	357 175
Taxation and State's share of income	9 840	27 373	64 680
Income after taxation and State's share of income	65 739	51 555	292 595
Taxation offset on Beatrix capital expenditure applied to repay loans	31 560	21 792	148 633
Attributable to ordinary shareholders	R34 189	R29 763	R143 962
Capital expenditure	18 021	7 257	32 088
Dividends declared	55 000	—	110 000
DEVELOPMENT – Vaal Reef			
Advanced (m)	12 442	13 963	58 013
Advanced on reef (m)	784	796	3 474
Sampled (m)	726	772	3 174
Channel width (cm)	107	107	99
Average value – gold (g/t)	10,1	17,0	16,5
– (cm.g/t)	1 617	1 818	1 622
– uranium (kg/t)	0,603	0,570	0,601
– (cm.kg/t)	64,42	60,98	59,50

ORE RESERVES as at 30 June 1986

	Available	Un-available	In-accessible	Total
Tons (000's)	4 300	3 134	1 694	9 128
Stope width (cm)	148	145	153	148
Value – gold (g/t)	10,02	10,52	10,80	10,34
– (cm.g/t)	1 488	1 527	1 652	1 531

Ore reserve pay limit was calculated at an estimated gold price of R24 000/kg.

REMARKS

Capital expenditure
Estimated total capital expenditure for the following financial year – R25 762 000.
Commitments in respect of contracts placed – R25 008 000.

Dividends
On 5 June 1986 dividend No. 58 of 500 cents per ordinary share and dividend No. 2 of 32 cents per cumulative preference share were declared payable to shareholders registered on 20 June 1986. Dividend warrants will be posted on 8 August 1986.

Strathmore Shaft area
The replacement of working face at the previously planned rate continues to be restricted by severe faulting. While this situation persists the production rate will continue to be adversely affected.

Beatrix division

In terms of an agreement, Buffelsfontein mines the mining lease area of Beatrix Mines Limited. 18 per cent of the distributable income from this area is attributable to Buffelsfontein and 82 per cent to Beatrix Mines Limited.

OPERATING RESULTS	Quarter ended 30.6.1986	Quarter ended 31.3.1986	Year ended 30.6.1986
Mined (m²)	127 279	113 259	475 495
Ore milled (t)	511 000	449 000	1 825 000
Gold produced (kg)	2 904	2 475	10 566
Yield (g/t)	5,7	5,4	5,8
Working revenue (R/t milled)	143,86	125,80	138,55
Working costs (R/t milled)	76,95	79,82	76,20
(R/m² mined)	310,35	315,75	313,54
Working income (R/t milled)	64,90	46,17	54,64
Gold price received (R/kg)	25 310	23 381	24 850
($/oz)	342	336	332
FINANCIAL RESULTS (R'000)			
Working revenue	73 506	56 445	252 405
Working costs	40 342	35 758	143 370
Working income	33 164	20 688	119 035
Sundry expenditure – net	9 252	6 709	44 700
Royalty payments	11 012	8 466	39 511
Income before taxation	12 900	5 511	34 824
Taxation	—	—	—
Income after taxation	R12 900	R5 511	R34 824
Capital expenditure	6 000	1 147	10 311
DEVELOPMENT – Beatrix Reef			
Advanced (m)	8 422	7 548	32 763
Advanced on reef (m)	1 850	1 723	7 753
Sampled (m)	1 678	1 486	7 066
Channel width (cm)	93	97	94
Average value – gold (g/t)	15,0	16,5	17,2
– (cm.g/t)	1 391	1 218	1 103

ORE RESERVES as at 30 June 1986

	Available	Un-available	In-accessible	Total
Tons (000's)	1 970	100	350	3 070
Stope width (cm)	127	146	124	127
Value – gold (g/t)	8,9	7,5	7,4	8,4
– (cm.g/t)	1 125	1 084	922	1 080

Ore reserve pay limit was calculated at an estimated gold price of R24 000/kg.

REMARKS

Capital expenditure
Estimated total capital expenditure for the following financial year – R23 772 000.
Commitments in respect of contracts placed – R2 937 000.

Sundry expenditure
This figure is made up mainly of interest payable to Beatrix Mines Limited.

Gold forward sales
Gold working revenue includes the effect of closing out of forward sales contracts during the year.

Pumping of underground water
In order to ensure an adequate safety margin it has become necessary to increase the installed pumping capacity.

BRACKEN Mines Limited

Company Registration No. 58/01126/06

Directors: C.R. Netscher (Chairman); J.H.J. Burke; P.S. Clarke; P.J. Eustace; W.B. Evans; B.N.B. Lund; H.A. Smith; T.J. Steenkamp; M.A. Wasmuth. Alternates: D.J. Bergman; P.J. Cook; J.A. du Plessis; K.M. Hosking; D.J.D. Ross; D.W. Stalberg; P. Taljaard; J.C. Willemse.

Issued capital – 14 000 000 shares of 50 cents each.

OPERATING RESULTS	Quarter ended 30.6.1986	Quarter ended 31.3.1986	9 months ended 30.6.1986
Mined (m²)	69 148	65 635	203 310
Ore milled (t)	225 000	237 000	709 000
Gold produced (kg)	794	806	2 459
Yield (g/t)	3,4	3,4	3,5
Working revenue (R/t milled)	82,15	86,14	86,61
Working costs (R/t milled)	57,56	52,75	53,33
(R/m² mined)	187,30	190,49	185,99
Working income (R/t milled)	24,59	33,39	33,28
Gold price received (R/kg)	23 465	24 914	25 095
($/oz)	347	338	331
FINANCIAL RESULTS (R'000)			
Working revenue	18 483	20 416	62 828
Working costs	12 951	12 503	37 813
Working income	5 532	7 913	25 015
Sundry income – net	984	879	2 842
Tribute and royalties – net	(69)	(278)	(497)
Income before taxation and State's share of income	6 445	8 516	27 460
Taxation and State's share of income	3 620	5 436	17 456
Income after taxation and State's share of income	R2 828	R3 080	R10 004
Capital expenditure	268	148	477
Dividend declared	—	7 000	7 000
DEVELOPMENT – Kimberley Reef			
Advanced (m)	1 135	1 117	3 300
Advanced on reef (m)	341	277	823
Sampled (m)	321	288	803
Channel width (cm)	41	52	40
Average value – gold (g/t)	6,6	7,1	7,1
– (cm.g/t)	270	367	286

REMARKS

Capital expenditure
Estimated total capital expenditure for the remainder of the current financial year – R509 000.
Commitments in respect of contracts placed – Nil.

Dividends
A dividend of 50 cents per share was paid on 2 May 1986.

Gold forward sales
Working revenue includes the effect of closing out of forward sales contracts during the quarter.

ST. HELENA Gold Mines Limited

Company Registration No. 05/20745/06

Directors: E. Pavitt (Chairman); T.L. de Beer; J.C. Fritz; E.P. Gush; L. Hewitt; K.M. Hosking; C.G. Kimber; G.J. Kotze; C.R. Netscher; H.A. Smith. Alternates: D.J. Bergman; J.H.J. Burke; F.S. Clarke; P.J. Cook; P.J. Eustace; W.B. Evans; H.G. Mosenthal; D.J.D. Ross; B.W. van der Colff; G.W. Woodroof.

Issued capital – 9 626 200 ordinary shares of R1 each. – 10 115 070 cumulative preference shares of R1 each.

OPERATING RESULTS	Quarter ended 30.6.1986	Quarter ended 31.3.1986	6 months ended 30.6.1986
Mined (m²)	145 966	141 642	287 608
Ore milled (t)	580 000	580 000	1 160 000
Gold produced (kg)	2 610	2 842	5 452
Yield (g/t)	4,5	4,9	4,7
Working revenue (R/t milled)	111,38	116,80	114,09
Working costs (R/t milled)	71,69	64,84	68,17
(R/m² mined)	284,09	265,53	274,95
Working income (R/t milled)	39,67	51,96	45,91
Gold price received (R/kg)	24 566	23 834	24 208
($/oz)	341	337	339
FINANCIAL RESULTS (R'000)			
Working revenue	64 591	67 744	132 335
Working costs	41 467	37 610	79 077
Working income	23 124	30 134	53 258
Sundry income – net	3 969	4 648	8 617
Income before taxation and State's share of income	27 093	34 782	61 875
Taxation and State's share of income	8 425	17 383	25 808
Income after taxation and State's share of income	R18 668	R17 399	R36 067
Capital expenditure	11 152	7 111	18 263
Dividend declared	15 400	—	15 400

DEVELOPMENT	Quarter ended 30.6.1986 Basal Reef	Quarter ended 30.6.1986 Leader Reef	Quarter ended 31.3.1986 Basal Reef	Quarter ended 31.3.1986 Leader Reef	6 months ended 30.6.1986 Basal Reef	6 months ended 30.6.1986 Leader Reef
Advanced (m)	5 938	883	3 070	1 018	2 008	1 901
Advanced on reef (m)	217	475	155	502	372	977
Sampled (m)	328	481	127	521	376	1 008
Channel width (cm)	110	148	131	144	120	146
Average value – gold (g/t)	5,2	2,8	4,7	2,4	5,4	2,5
– (cm.g/t)	581	369	610	350	647	364

ORE RESERVES as at 30 June 1986

	Available	Un-available	In-accessible	Total
Tons (000's)	6 640	4 590	350	11 580
Stope width (cm)	123	127	124	125
Value – gold (g/t)	8,9	8,4	10,5	8,7
– (cm.g/t)	1 092	1 061	1 319	1 091

Ore reserve pay limit was calculated at an estimated gold price of R24 000/kg.

REMARKS

Capital expenditure
Estimated total capital expenditure for the remainder of the current financial year – R20 700 000.
Commitments in respect of contracts placed – R8 951 000.

Dividends
On 5 June 1986 dividend No. 62 of 160 cents per share was declared payable to shareholders registered on 20 June 1986. Dividend warrants will be posted on 8 August 1986.

Production
The continuing effects of the closure of higher grade areas, following the seismic event in February, is reflected in the decline in yield. During the quarter a total of 38 012 tons (March quarter 34 427 tons) was milled from the low grade surface dumps.

No. 10 Shaft
The shaft has reached its final depth of 1 355 metres and equipping has commenced.

STILFONTEIN Gold Mining Company Limited

Company Registration No. 05/33412/06

Directors: W.B. Evans (Chairman); J.H.J. Burke; G.S. Lee*; K.W. Maxwell; C.R. Netscher; E. Pavitt; T.L. Pretorius; R.A.D. Wilson. Alternates: H.C.A. Booysen; F.S. Clarke; P.J. Eustace; D.J.D. Ross; Dr. F.J.F. Roux; P. Taljaard; J.E. van Niekerk. Honorary President: J. Scott (Non-executive). *British

Issued capital – 13 082 920 shares of 50 cents each.

OPERATING RESULTS	Quarter ended 30.6.1986	Quarter ended 31.3.1986	6 months ended 30.6.1986
Mined (m²)	127 403	117 619	245 022
Ore milled (t)	426 000	417 000	843 000
Gold produced (kg)	2 254	2 275	4 529
Yield (g/t)	5,3	5,4	5,4
Working revenue (R/t milled)	129,22	129,86	128,54
Working costs (R/t milled)	104,30	100,25	102,29
(R/m² mined)	348,74	355,43	351,95
Working income (R/t milled)	24,92	27,60	26,25
Gold price received (R/kg)	24 363	23 450	23 905
($/oz)	339	336	337
FINANCIAL RESULTS (R'000)			
Working revenue	55 048	53 315	108 363
Working costs	44 430	41 804	86 234
Working income	10 618	11 511	22 129
Sundry income – net	1 718	3 147	4 865
Tribute and royalties – net	(3 088)	(3 367)	(6 455)
Income before taxation and State's share of income	9 248	11 291	20 539
Taxation and State's share of income	3 657	4 263	7 920
Dividend received	4 800	—	4 800
Income after taxation and State's share of income	R10 391	R7 028	R17 419
Capital expenditure	2 066	1 298	3 364
Dividend declared	15 022	—	15 022

DEVELOPMENT	Quarter ended 30.6.1986 Vaal Reef	Quarter ended 30.6.1986 V.C.R.	Quarter ended 31.3.1986 Vaal Reef	Quarter ended 31.3.1986 V.C.R.	6 months ended 30.6.1986 Vaal Reef	6 months ended 30.6.1986 V.C.R.
Advanced (m)	6 996	4 270	6 292	3 781	13 176	7 906
Advanced on reef (m)	826	611	1 053	765	1 879	1 386
Sampled (m)	670	615	858	765	1 620	1 380
Channel width (cm)	27	80	25	81	26	81
Average value – gold (g/t)	40,2	8,0	45,7	5,6	46,8	7,2
– (cm.g/t)	1 086	491	1 228	405	1 182	448
– uranium (kg/t)	0,690	0,143	0,831	0,126	0,777	0,133
– (cm.kg/t)	18,69	8,51	21,02	7,72	19,81	8,11

ORE RESERVES as at 30 June 1986

	Available	Un-available	In-accessible	Total
Tons (000's)	1 695	2 508	33	4 236
Stope width (cm)	112	112	115	112
Value – gold (g/t)	9,1	8,5	11,1	8,8
– (cm.g/t)	1 015	1 060	1 247	1 053
– uranium (kg/t)	0,159	0,147	0,127	0,159
– (cm.kg/t)	17,74	15,27	15,48	17,85

Ore reserve pay limit was calculated at an estimated gold price of R24 000/kg.

REMARKS

Capital expenditure
Estimated total capital expenditure for the remainder of the current financial year – R5 300 000.
Commitments in respect of contracts placed – R378 000.

Dividends
On 5 June 1986 dividend No. 64 of 115 cents per share was declared payable to shareholders registered on 20 June 1986. Dividend warrants will be posted on 8 August 1986.

Gold forward sales
In order to ensure the profitability of its mining operations, the mine has sold forward a portion of its expected gold production to November 1986. Prices range from R25 950 per kilogram in July to R26 220 per kilogram in November. The attention of shareholders is drawn to the fact that the above transactions may be closed out prior to maturity date, or rolled over at any time. The effect of transactions closed out during the quarter is brought to account in working revenue.

Chemwes Limited

Company Registration No. 64/02378/06

(A subsidiary of Stilfontein Gold Mining Company Limited)

Directors: W.B. Evans (Chairman); J.H.J. Burke; F.S. Clarke; G.S. Lee*; K.W. Maxwell; C.R. Netscher; T.L. Pretorius; R.A.D. Wilson. Alternates: H.C.A. Booysen; P.J. Cook; P.J. Eustace; D.J.D. Ross; Dr. F.J.F. Roux, P. Taljaard; J.E. van Niekerk. *British

Issued capital – 1 000 shares of R1 each.

OPERATING RESULTS	Quarter ended 30.6.1986	Quarter ended 31.3.1986	6 months ended 30.6.1986
Uranium			
Pulp treated (t)	558 000	546 000	1 104 000
Oxide produced (t)	61,3	62,1	123,4
Yield (kg/t)	0,110	0,114	0,112
FINANCIAL RESULTS (R'000)			
Net income after taxation	R3 895	R2 798	R6 693
Capital expenditure	76	35	111
Dividend declared	6 000	—	6 000

REMARKS

Capital expenditure
Estimated total capital expenditure for the remainder of the current financial year – R295 000.
Commitments in respect of contracts placed – R6 000.

Dividends
On 5 June 1986 a dividend of R6 million was decared payable to shareholders registered on 20 June 1986.

Supply contract negotiations
The main customer has agreed not to defer deliveries for the time being.

WINKELHAAK Mines Limited

Company Registration No. 55/03606/06

Directors: C.R. Netscher (Chairman); F.S. Clarke; P.J. Eustace; W.B. Evans; C.T. Fenton; J.R. Forbes; J.C. Fritz; E. Pavitt; H.A. Smith; T.J. Steenkamp. Alternates: D.J. Bergman; J.H.J. Burke; P.J. Cook; K.M. Hosking, B.N.B. Lund; D.J.D. Ross; P. Taljaard; J.C. Willemse; A.J. Wright.

Issued capital – 12 180 000 shares of R1 each.

OPERATING RESULTS	Quarter ended 30.6.1986	Quarter ended 31.3.1986	9 months ended 30.6.1986
Mined (m²)	155 654	152 518	466 189
Ore milled (t)	602 000	567 000	1 770 000
Gold produced (kg)	3 482	3 203	9 970
Yield (g/t)	5,8	5,6	5,6
Working revenue (R/t milled)	138,57	138,26	143,19
Working costs (R/t milled)	59,38	57,14	56,36
(R/m² mined)	229,66	212,44	214,46
Working income (R/t milled)	79,19	81,12	86,83
Gold price received (R/kg)	23 714	24 284	25 190
($/oz)	346	339	336
FINANCIAL RESULTS (R'000)			
Working revenue	83 417	78 393	253 451
Working costs	35 746	32 401	99 764
Working income	47 671	45 992	153 687
Sundry income – net	2 751	2 675	8 879
Tribute and royalties – net	(425)	(337)	(1 472)
Income before taxation and State's share of income	49 997	48 330	161 094
Taxation and State's share of income	26 755	30 746	100 109
Income after taxation and State's share of income	R23 242	R17 584	R60 985
Capital expenditure	10 569	4 179	17 213
Dividend declared	—	29 841	29 841
DEVELOPMENT – Kimberley Reef			
Advanced (m)	4 165	3 992	12 406
Advanced on reef (m)	522	627	1 826
Sampled (m)	632	693	1 991
Channel width (cm)	41	63	53
Average value – gold (g/t)	15,2	14,1	16,1
– (cm.g/t)	625	890	852

REMARKS

Capital expenditure
Estimated total capital expenditure for the remainder of the current financial year – R12 876 000.
Commitments in respect of contracts placed – R33 360 000.

Dividends
A dividend of 245 cents per share was paid on 2 May 1986.

No. 6 Shaft System
Collar work is in progress at both the main and ventilation shafts.

MARIEVALE Consolidated Mines Limited

Company Registration No. 05/03278/06

Directors: C.R. Netscher (Chairman); J.H.J. Burke; F.S. Clarke; W.B. Evans; P.T. Fewell*; H.G. Mosenthal; B.A. Smith; H.A. Smith. Alternates: D.J. Bergman; G.C.R. Britz; P.J. Cook; P. Taljaard; J.C. Willemse. *British

Issued capital – 4 500 000 shares of 25 cents each.

OPERATING RESULTS	Quarter ended 30.6.1986	Quarter ended 31.3.1986	6 months ended 30.6.1986
Mined (m²)	14 454	15 902	30 356
Ore milled (t)	86 000	88 000	174 000
Gold produced (kg)	253	251	504
Yield (g/t)	2,9	2,9	2,9
Working revenue (R/t milled)	69,60	71,57	70,60
Working costs (R/t milled)	60,08	66,90	63,53
(R/m² mined)	357,48	370,21	364,15
Working income (R/t milled)	9,52	4,67	7,07
Gold price received (R/kg)	23 248	25 029	24 135
($/oz)	343	340	342
FINANCIAL RESULTS (R'000)			
Working revenue	5 986	6 298	12 284
Working costs	5 167	5 887	11 054
Working income	819	411	1 230
Sundry income – net	67	139	206
Tribute and royalties – net	—	—	—
Income before taxation	886	550	1 436
Taxation	138	93	231
Income after taxation	R748	R457	R1 205
Capital expenditure	175	74	249
Dividend declared	1 125	—	1 125
DEVELOPMENT			
Advanced (m)	582	619	1 201
Advanced on reef (m)	301	343	644
Sampled (m)	284	339	623
Channel width (cm)	58	38	47
Average value – gold (g/t)	7,2	11,9	9,1
– (cm.g/t)	420	451	437

ORE RESERVES as at 30 June 1986

	Available	Un-available	In-accessible	Total
Tons (000's)	400	150	100	650
Stope width (cm)	132	119	126	128
Value – gold (g/t)	5,5	6,7	5,9	5,8
– (cm.g/t)	726	802	—	748

Ore reserve pay limit was calculated at an estimated gold price of R24 000/kg.

REMARKS

Capital expenditure
Estimated total capital expenditure for the remainder of the current financial year – R622 000.
Commitments in respect of contracts placed – R452 000.

Dividends
On 5 June 1986 dividend No. 92 of 25 cents per share was declared payable to shareholders registered on 20 June 1986. Dividend warrants will be posted on 8 August 1986.

Gold forward sales
Working revenue includes the effect of closing out of forward sales contracts during the quarter.

UNISEL Gold Mines Limited

Company Registration No. 72/10804/06

Directors: E. Pavitt (Chairman); Dr. J.J. le R. Olivier; P.J. Crowe*; J.C. Fritz; J.G.A. Jamp*; D.J. Kemp*; T.L. Pretorius; C.R. Netscher; H.A. Smith; K.C. Whyte. Alternates: D.J. Bergman; P.J. Cook; K.M. Hosking; G.C. Kotze; T.J. Mostert**; M.V. Myburgh. *British **German

Issued capital – 28 000 000 shares of no par value.

OPERATING RESULTS	Quarter ended 30.6.1986	Quarter ended 31.3.1986	9 months ended 30.6.1986
Mined (m²)	66 468	66 752	198 695
Ore milled (t)	348 000	335 000	1 029 000
Gold produced (kg)	2 401	2 383	7 163
Yield (g/t)	6,9	7,1	7,0
Working revenue (R/t milled)	172,10	168,51	178,35
Working costs (R/t milled)	57,97	56,55	55,97
(R/m² mined)	303,38	283,81	289,58
Working income (R/t milled)	114,13	112,86	122,38
Gold price received (R/kg)	24 495	23 640	25 309
($/oz)	341	337	334
FINANCIAL RESULTS (R'000)			
Working revenue	59 890	56 766	183 348
Working costs	20 174	18 945	57 537
Working income	39 716	37 821	125 811
Sundry income – net	2 175	2 468	6 790
Milling fee	(1 687)	(1 687)	(5 060)
Income before taxation and State's share of income	40 204	38 602	127 531
Taxation and State's share of income	24 378	23 978	80 238
Income after taxation and State's share of income	R15 826	R14 644	R47 292
Capital expenditure	3 214	2 267	6 860
Dividend declared	—	25 200	25 200

DEVELOPMENT	Quarter ended 30.6.1986 Basal Reef	Quarter ended 30.6.1986 Middle Reef	Quarter ended 30.6.1986 Leader Reef	Quarter ended 31.3.1986 Basal Reef	Quarter ended 31.3.1986 Middle Reef	Quarter ended 31.3.1986 Leader Reef	9 months ended 30.6.1986 Basal Reef	9 months ended 30.6.1986 Middle Reef	9 months ended 30.6.1986 Leader Reef
Advanced (m)	1 949	12	550	1 755	15	276	5 395	60	1 489
Advanced on reef (m)	222	—	425	298	—	255	776	17	1 136
Sampled (m)	180	—	372	198	—	339	543	16	1 023
Channel width (cm)	84	—	32	65	—	27	105	26	223
Average value – gold (g/t)	18,9	—	2,6	18,3	—	3,5	16,9	13,4	3,8
– (cm.g/t)	1 761	—	575	1 993	—	74	1 801	3 620	872

REMARKS

Capital expenditure
Estimated total capital expenditure for the remainder of the current financial year – R5 337 000.
Commitments in respect of contracts placed – R4 934 000.

Dividends
A dividend of 90 cents per share was paid on 2 May 1986.

LESLIE Gold Mines Limited

Company Registration No. 59/01124/06

Directors: C.R. Netscher (Chairman); J.H.J. Burke; F.S. Clarke; W.B. Evans; B.N.B. Lund; H.A. Smith; T.J. Steenkamp; M.A. Wasmuth. Alternates: D.J. Bergman; P.J. Cook; J.A. du Plessis; D.J.D. Ross; J.C. Willemse.

Issued capital – 16 000 000 shares of 65 cents each.

OPERATING RESULTS	Quarter ended 30.6.1986	Quarter ended 31.3.1986	9 months ended 30.6.1986
Mined (m²)	78 818	75 209	230 980
Ore milled (t)	350 000	346 000	1 051 000
Gold produced (kg)	850	900	2 693
Yield (g/t)	2,4	2,6	2,6
Working revenue (R/t milled)	60,13	64,33	64,98
Working costs (R/t milled)	48,51	46,72	46,53
(R/m² mined)	215,40	214,93	213,58
Working income (R/t milled)	11,62	17,61	18,03
Gold price received (R/kg)	23 903	24 392	24 892
($/oz)	346	337	330
FINANCIAL RESULTS (R'000)			
Working revenue	21 044	22 258	68 275
Working costs	16 977	16 165	48 975
Working income	4 067	6 093	18 950
Sundry income – net	362	451	1 558
Tribute and royalties – net	(9)	(13)	(52)
Income before taxation and State's share of income	4 420	6 531	20 454
Taxation and State's share of income	2 163	3 899	12 056
Income after taxation and State's share of income	R2 257	R2 632	R8 398
Capital expenditure	115	123	412
Dividend declared	—	4 800	4 800
DEVELOPMENT – Kimberley Reef			
Advanced (m)	3 449	3 291	9 978
Advanced on reef (m)	776	1 082	2 791
Sampled (m)	791	1 061	2 798
Channel width (cm)	22	13	15
Average value – gold (g/t)	20,9	26,8	24,5
– (cm.g/t)	459	348	372

REMARKS

Capital expenditure
Estimated total capital expenditure for the remainder of the current financial year – R248 000.
Commitments in respect of contracts placed – Nil.

Dividends
A dividend of 30 cents per share was paid on 2 May 1986.

Dump milling
A total of 64 000 tons (March quarter 63 000 tons) was milled ex surface dumps.

Gold forward sales
Working revenue includes the effect of closing out of forward sales contracts during the quarter.

KINROSS Mines Limited

Company Registration No. 63/06226/06

Directors: J.C. Fritz (Chairman); J.H.J. Burke; F.S. Clarke; P.J. Eustace; W.B. Evans; B.N.B. Lund; C.R. Netscher; H.A. Smith; M.A. Wasmuth. Alternates: D.J. Bergman; P.J. Cook; J.A. du Plessis; K.M. Hosking; D.J.D. Ross; J.C. Willemse.

Issued capital – 18 000 000 stock units of R1 each.

OPERATING RESULTS	Quarter ended 30.6.1986	Quarter ended 31.3.1986	9 months ended 30.6.1986
Mined (m²)	131 513	127 763	397 996
Ore milled (t)	525 000	535 000	1 620 000
Gold produced (kg)	3 179	3 298	10 105
Yield (g/t)	6,1	6,2	6,2
Working revenue (R/t milled)	144,99	151,95	159,09
Working costs (R/t milled)	67,74	61,28	61,45
(R/m² mined)	270,42	256,60	250,13
Working income (R/t milled)	77,25	90,67	97,64
Gold price received (R/kg)	23 795	24 567	25 432
($/oz)	345	337	339
FINANCIAL RESULTS (R'000)			
Working revenue	76 120	81 295	257 729
Working costs	35 564	32 784	99 551
Working income	40 556	48 511	158 178
Sundry income – net	2 533	3 144	9 056
Income before taxation and State's share of income	43 089	51 655	167 234
Taxation and State's share of income	26 061	32 295	105 743
Income after taxation and State's share of income	R17 028	R19 360	R61 491
Capital expenditure	4 981	4 029	13 367
Dividend declared	—	34 200	34 200
DEVELOPMENT – Kimberley Reef			
Advanced (m)	6 068	4 782	15 411
Advanced on reef (m)	1 189	1 208	3 607
Sampled (m)	1 200	1 184	3 667
Channel width (cm)	31	52	42
Average value – gold (g/t)	28,0	14,8	17,7
– (cm.g/t)	868	768	764

REMARKS

Capital expenditure
Estimated total capital expenditure for the remainder of the current financial year – R2 619 000.
Commitments in respect of contracts placed – R5 014 000.

Dividends
A dividend of 190 cents per stock unit was paid on 2 May 1986.

The GROOTVLEI Proprietary Mines Limited

Company Registration No. 01/02088/06

Directors: C.R. Netscher (Chairman); J.H.J. Burke; F.S. Clarke; W.B. Evans; P.T. Fewell*, G.D. Roos; H.A. Smith. Alternates: D.J. Bergman; P.J. Cook; J.A. du Plessis; D.J.D. Ross; P. Taljaard. *British

Issued capital – 11 439 818 stock units of 25 cents each.

OPERATING RESULTS	Quarter ended 30.6.1986	Quarter ended 31.3.1986	6 months ended 30.6.1986
Mined (m²)	110 043	115 805	225 848
Ore milled (t)	445 000	440 000	885 000
Gold produced (kg)	1 367	1 482	2 849
Yield (g/t)	3,1	3,4	3,2
Working revenue (R/t milled)	74,89	82,15	78,50
Working costs (R/t milled)	60,56	59,15	59,86
(R/m² mined)	244,89	224,74	234,56
Working income (R/t milled)	14,33	23,00	18,64
Gold price received (R/kg)	24 027	24 338	24 189
($/oz)	344	340	342
FINANCIAL RESULTS (R'000)			
Working revenue	33 328	36 146	69 474
Working costs	26 948	26 026	52 974
Working income	6 380	10 120	16 500
Sundry income – net	253	565	818
Tribute and royalties – net	19	(22)	(3)
Income before taxation	6 652	10 663	17 315
Taxation	2 503	4 519	7 022
Income after taxation	R4 149	R6 144	R10 293
Capital expenditure	1 162	2 180	3 342
Dividend declared	6 863	—	6 863

DEVELOPMENT	Quarter ended 30.6.1986 Black Reef	Quarter ended 30.6.1986 Kimberley Reef	Quarter ended 30.6.1986 Main Reef	Quarter ended 31.3.1986 Black Reef	Quarter ended 31.3.1986 Kimberley Reef	Quarter ended 31.3.1986 Main Reef	6 months ended 30.6.1986 Black Reef	6 months ended 30.6.1986 Kimberley Reef	6 months ended 30.6.1986 Main Reef
Advanced (m)	326	2 247	268	317	2 327	376	643	4 574	644
Advanced on reef (m)	200	1 523	140	167	1 280	233	367	2 803	373
Sampled (m)	192	1 511	120	153	1 259	231	345	2 770	351
Channel width (cm)	107	27	47	110	18	40	109	23	42
Average value – gold (g/t)	9,3	14,8	5,9	9,3	14,9	8,5	9,2	14,8	7,6
– (cm.g/t)	997	400	277	1 020	269	342	1 007	340	320

ORE RESERVES as at 30 June 1986

	Available	Un-available	In-accessible	Total
Tons (000's)	1 980	1 060	1 910	4 950
Stope width (cm)	104	103	127	112
Value – gold (g/t)	6,3	5,7	4,4	5,4
– (cm.g/t)	653	587	564	608

Ore reserve pay limit was calculated at an estimated gold price of R24 000/kg.

REMARKS

Capital expenditure
Estimated total capital expenditure for the remainder of the current financial year – R2 956 000.
Commitments in respect of contracts placed – R1 205 000.

Dividends
On 5 June 1986 dividend No. 95 of 60 cents per stock unit was declared payable to stockholders registered on 20 June 1986. Dividend warrants will be posted on 8 August 1986.

Pumping of extraneous water
An amount of R934 160 was received from Ergo during the quarter (previous quarter R784 889) for water supplied from the S.A. Lands No. 1 Shaft Pump Station.

NOTES

1. Development values quoted above represent actual results of sampling. No allowance has been made for any adjustments which may be, or were, necessary when estimating ore reserves.
2. All financial figures are unaudited.
3. The quarterly reports have been approved and signed on behalf of the respective companies by two directors.
4. Ore reserves
   - All mines publish calculated ore reserves at 6-monthly intervals in their respective financial years.
   - Unavailable ore reserves are reserves which cannot be made available for mining during the next 12 months.
   - Inaccessible ore reserves are reserves which may only be mined towards the end of the life of the mine.
5. A policy has been adopted whereby mines will, whenever possible, stockpile ore for strategic purposes.
6. The accounting policies of all companies with regard to deferred taxation in respect of consumable stores has been changed. The existing provision will be transferred to a distributable reserve.

Johannesburg, 17 July 1986

Registered and head office
General Mining Building
6 Hollard Street
Johannesburg 2001

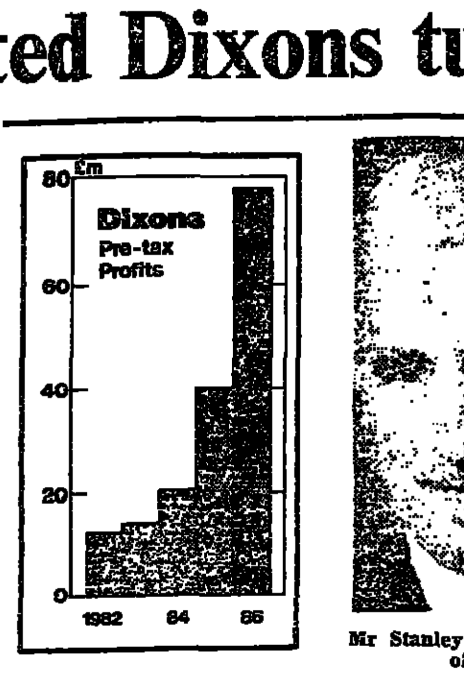
London office and secretaries
Gencor (UK) Limited
30 Ely Place
London EC1N 6UA

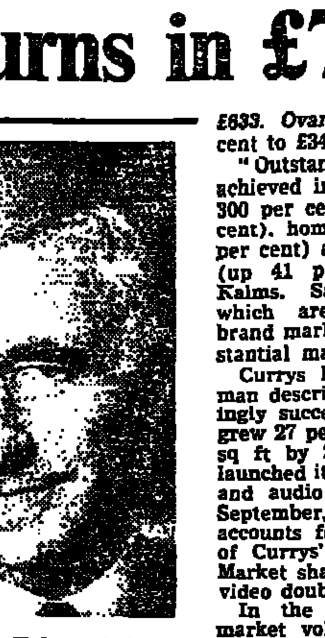
Transfer offices
South Africa:
General Mining Union Corporation Limited
74-78 Marshall Street
Johannesburg 2001
(PO Box 61357, Marshalltown 2107)

United Kingdom:
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

Copies are available from: London Office, 30 Ely Place, London, EC1N 6UA

Undaunted Dixons turns in £78m





Mr Stanley Kalms, chairman of Dixons

FOR THE second year in succession profits have almost doubled at Dixons, the electrical retailing group which earlier this month failed in a £1.8bn bid for the Woolworth high street retailing chain.

The pre-tax result for the year ended April 26 1986 showed a 97 per cent rise to £78.1m, the company forecast when it made its increased offer last month. The figure included a £30.7m full year contribution from Currys, which was taken over by Dixons at the end of 1984.

The figures announced yesterday also confirmed the cost of the failed Woolworth bid at £12.8m, which has been taken in as an extraordinary charge. Mr Stanley Kalms, the chairman, said yesterda ythat "the failure to acquire Woolworths was largely the result of a shift in City sentiment against large takeovers.

"The group will continue to seek to identify growth opportunities, but only at a price which will benefit shareholders, he added.

Mr Kalms also announced details of the group's continuing expansion programme. In the current year capital exuenditure will exceed £59m, of which over £50m relates to shop expansion for Dixons, Curry and Power City, the out-of-town electrical retailing operation. The growth plans include more than 100 new shops and over 175 refurbishments.

The chairman said that the year had started extremely well, and that continued expansion was bringing "outstanding results."

Total group sales rose 55 per cent to £943.4m after VAT, with the retailing operations again by far the largest contributor, both in terms of sales and profits. Retailing sales were up 62 per cent at £861.3m, producing prof its 110 per cent ahead at £65.5m. All the group's other activities—property development, processing, overseas and finance—showed substantial profit gains on smaller turnover increases.

With group earnings per share up from 9.2p to 14.1p, the dividend for the year is doubled to 3p with a final of 2.4225p (1.02p adjusted for scrip issue). This will account for £11m (£5.5m), leaving a retained profit for the year of £27.2m (£19.6m).

Reviewing divisional operations, Mr Kalms said that in Dixon's Retail 11 new branches were opened, and 18 resited or extneded. It increased its selling area by over 50,000 sq ft to 578,000 sq fa, an dsales per sq ft grew by 15 per cent to £633. Ovarall sales rose 26 per cent to £345.8m.

"Outstanding growth was achieved in portable video (up 300 per cent), hi-fi (up 70 per cent), home computers (up 76 per cent) and microwave ovens (up 41 per cent)," said Mr Kalms. Saisho and Miranda, which are exclusive Dixons brand marks, had achieved substantial market shares.

Currys had what the chairman described as "an outstandingly successful year." Salges grew 27 per cent, and sales per sq ft by 21 per cent. Currys launched its exclusive TV, video and audio brand, Matsui, last September, and this now accounts for over 25 per cent of Currys' brown goods sales. Market share in colour TV and video doubled.

In the processing division market volumes were affected by the poor summer last year, but taxable profits rose to £2m (£1.2m) on sales of £34.8m (£30.3m).

Property made profit of £5.5m (£3.5m) on sales of £22.1m (£21.5m), with more than 25 projects at various stages of completion. The finance and overseas division increased profits by 43 per cent to £5.3m, and a joint venture has been signed with a Next subsidiary which will enable it to exploit Dixons credit card base.

Debt relating to the Currys buy was cut during the year, with gearing down from 91 per cent to 15 per cent. Capital and reserves increased to £172m.

See Lex

Harris outlines GUS deal potential

By Charles Batchelor

Harris Queensway, the carpets and furniture retailer, and Great Universal Stores (GUS), the mail order and stores group, would together be well placed to carry out major acquisitions in the retailing sector, Sir Philip Harris, Harris's chairman, said yesterday.

Sir Philip was speaking following the exchange of contracts for a £146m deal first announced in May whereby Harris is acquiring GUS's Times Furnishing and Home Charm stores and GUS will take a 23 per cent stake in Harris. In addition, Sir Philip will become a non-executive director of GUS.

"With GUS's cash and our management skills the opportunities are there for us to do other acquisitions," Sir Philip said. "If the market dropped by half and we could buy things at sensible prices we could take over a large company. Both Harris Queensway and GUS have strong balance sheets."

Sir Philip said he would have loved to have been in a position to bid for Currys, acquired early last year by Dixons, and Mothercare, which merged with Habitat and subsequently with British Home Stores.

Harris Queensway's shares rose 16p to 252p yesterday after Sir Philip and other directors spent the day explaining the benefits to City analysts of the GUS link-up. The deal was cheaper, for Harris, than it had at first appeared, he said.

Harris had appeared to be paying £146m in shares for companies making total profits of just £3.5m, Sir Philip said. This comprised about £2m from Times and Home Charm, after charging store rental, and £1.5m from Poundstretcher, the discount store group in which Harris is buying back the 20 per cent holding sold earlier to GUS.

But Harris expects to make cost savings of more than £8m on these operations and increase Times turnover by 10 per cent by more efficient distribution.

It expects to make a £500,000 saving on the disposal of GUS's leased carpet cutting factory in the North of England, concentrating work on Harris's factory at Swanley, Kent.

The rental bill for the stores Harris is taking on will be much less than at first expected because of a large number of short-lease shops with low rentals. The additional rent bill is expected to be £12.5m, half City estimates, Sir Philip said.

The 175 Home Charm stores will slim their range to concentrate on wallpaper and paints while some stores will be turned over to textiles. Harris plans to launch a discount carpet chain later this year in some of the stores.

Harris plans to "sell" £70m of gross hire purchase debt owed by Times customers to a separate credit operation to be owned jointly with GUS and Lombard Tricity Finance for about £50-55m.

Together with £35-40m worth of Harris hire purchase debt and about £20m of debt from GUS the new credit company would start with a debt book of more than £120m and 500,000 customers.

Higgs and Hill in £32m bid for Southend Estates

BY LAURIE LUDWICK

Higgs and Hill, the international construction and property group, is making an agreed bid worth up to £32.4m for Southend Estates Group, an unlisted property development company.

Higgs is offering £29.1m in shares for Southend, with an additional £3.3m, dependent upon the approval of a planning application by Southend for a residential development in Essex.

Mr Brian Hill, Higgs' chairman, said: "The acquisition is a natural one, because it will give us Southend's substantial land bank and allow us to expand in a geographical area where, at the moment, we have no presence."

Higgs plans to expand its housebuilding operations from its existing markets in Somerset and Hampshire, to East Anglia and Essex, the base of Southend's property interests.

Immediately following the acquisition, over 50 per cent of Higgs's profits will come from property development.

Mr Mick Datson, deputy chairman of Southend, said: "We are convinced it is an extremely good move for Southend."

Southend increased its pre-tax profit from £2.25m to £2.47m in the year ending March 31 1986, after turnover rose from £10.4m to £13.79m. Shareholders' funds at that date amounted to £18.27m.

The two companies have held detailed discussions over the past several months, and have arrived at a deal which Mr Datson described as "an extremely logical deal fit for both companies."

Higgs is offering 100 of its own shares—plus nine units up to a maximum value of £7.50 per share in Southend if the planning application is approved—for every nine shares in Southend.

There is also a partial cash alternative worth £61.94 per share, comprising £29.25 of the Higgs shares and £32.69 in cash.

The offer is conditional upon Higgs receiving a valuation of at least £19m on four land bank sites owned by Southend, excluding tax liabilities.

Irrevocable acceptances for the Higgs offer have been given on behalf of 27.6 per cent of the Southend shareholders, which include 7.2 per cent held by the director.

Despite a decline in its overseas construction workload, Higgs reported its fifth consecutive year of growth in 1985 with a rise from £7.19m to £8.58m in pre-tax profits. Turnover rose marginally from £189.66m to £192.47m.

Higgs is being advised by J. Henry Schroder Wagg and Morgan Grenfell is advising Southend.

Eurotherm prospects buoyant

AFTER A disappointing first half, Eurotherm International electronic equipment maker, is expecting the pre-tax profit for the year ended October 31, 1986 to be similar to the previous year's £9m.

The group reported that in the first half, sales rose from £38.48m to £43.5m, but pre-tax profits fell from £3.49m to £3.35m. Overall the business remained healthy, but the two major factors affecting the result were the performance in the US and the printer activities (Infoscribe), said the chairman Mr J. L. Leonard.

He was convinced that prospects remained buoyant, but stressed that the reduced midway profit and the continuing sluggishness in the US could not be overcome in six months.

Meanwhile, the interim dividend is held at 1.5p net from unchanged earnings of 7.1p.

The printer company, Infoscribe in the US, was expected to move towards break-even in the period; but was affected by the economy, and also suffered from the impact of the Gramm Rudman Act. This held up government purchasing in a sector where Infoscribe had been doing well.

In the UK, Infoscribe was obliged to delay further the launch of the new model 2000 printer.

Mr Leonard said between them the companies lost over £800,000, shared approximately equally. However, the flow of orders had improved, and overheads were being tightly controlled.

Elsewhere, good results were achieved by all companies in Continental Europe, Eurotherm and TCS in the UK showed healthy profit increases, SSD continued to perform well, and SSD Corporation in the US was progressing ahead of expectations.

Of the half year's sales, the UK accounted for £16m (£13.8m) and overseas for £27.4m (£24.7m). Net interest payable was up to £723,000 (£484,000).

Tax took £1.38m (£1.58m) and minorities £35,000 (£5,000), leaving the attributable profit at £1.93m (£1.91m).

● comment

Every three years comes a black July and Eurotherm surprises the market with a bad set of interim figures blaming adverse developments in some foreign market place and Dr Jack Leonard warns of a flat full year result. In between such events the company denies it is in a cyclical business dependent on the capital spend of heavy industry on both sides of the Atlantic. Eurotherm may seek to encourage creativity at home but it does appear too ready to accept excuses for poor results and then blame the City for not sharing its generous inclinations. As the group consists largely of a series of one-product companies this is a rather important failing. Infoscribe, with £800,000 in losses at the halfway mark, is a case in point. Breakeven has been promised more than once as has resolute action if the unit does not get its house in order. The results being that we want to see for another six months in case the corner is turned. The impact of this managerial approach has been to depress City expectations for this year and next. With no more than £9m likely for the year to October, the shares down 15p at 265p are on a prospective p/e of 13 — but even this may not be low enough to encourage any outside interest.

Bestwood bids £17m for Barrie

By Clare Pearson

Bestwood, the investment group, is making an offer worth £17m for fellow financial services, property and engineering concern, Barrie Investments & Finance, in which Bestwood has built up a 29.96 per cent stake.

This comes just weeks after Bestwood's £10m unsuccessful bid for financial services business, Country Gentlemen's Association.

Mr Tony Cole, chairman of Bestwood, said: "As both Bestwood and Barrie are involved in the property and financial sectors, we believe that the individual strengths of each group will complement each other."

Mr Geoffrey Suckling, Barrie's chairman, meanwhile dismissed the bid as "wholly inappropriate."

Barrie has been diversifying out of its engineering business since it changed its name from Abwood Machine Tools in 1983. Its property interests are chiefly centred on letting and developing commercial properties, but it is also involved in leasing to local authorities, and in providing mortgage advances to the general public.

Bestwood's interests include unit trust and fund management services and engineering services to the exploration and drilling industry.

Bestwood is offering four of its own shares for every 125 Barrie ordinary shares, with a 16p per share cash alternative. On the basis of yesterday's closing price of Bestwood shares, down 40p on the day to 555p the share offer is worth 17.8p per Barrie share and values the company at £17m. Barrie's shares closed at 15½p, down 1p on the day.

Regalian to profit on police deal

BY TERRY GARRETT

Regalian Properties is paying £7m for 72 former police accommodation flats in the City of Westminster which could be worth double that figure once £3m of refurbishment work has been completed.

The property group will be parting with £565,000 in cash but the bulk of the consideration is covered by a vendor placing of 1.17m ordinary shares at 551½p per share. Demand from investors was high and de Zoete & Bevan, brokers to the issue, had to scale down applications by a factor of seven.

In the market Regalian's shares climbed 15p to 600p, having come up from under 100p a little over a year ago.

Regalian has made its name in urban housing renewal and Mr David Goldstone, chairman, said yesterday that this latest purchase "Will be of significant benefit" to its refurbishment programme.

Once converted Regalian should be able to command prices of up to £200,000 for a two bedroomed flat with two bathrooms.

The company also announced yesterday that it has entered into an agreement with Arlington Securities to buy the apartment portion of Arlington's mixed leisure and residential development at Port Solent, Portsmouth, at a cost of around £2m.

The site should become available in 1988 and will be developed with 140 apartments, the majority with marina berths, which should be ready for occupation in 1989. The project will have a realisable value of £14m at current prices.

AE makes strong attack on Turner & Newall

BY CHARLES BATCHELOR

AE, the engineering group which is fighting an unwelcome £187m takeover bid from *Turner and Newall*, yesterday launched a strongly-worded attack on T&N which it described as "a company beset by inherent and serious problems."

Sir John Collyear, AE's a large part of its profits from unstable countries with weak currencies in Africa while it also faced a continuing burden of litigation concerning asbestos-related diseases.

He compared AE's rate of spending on research and development of £10m or 2.6 per cent of turnover with T&N's rate which he said amounted to only 1.6 per cent of turnover in 1985.

In its formal offer document posted yesterday T&N argued that component suppliers to the automotive and engineering industries needed to be larger to operate on a world scale.

Both companies were engaged in the manufacture of technically demanding automotive, engine and other engineering components and specialised industrial materials, T&N said.

They were ideally suited to form aa combined group with turnover of £900m to match the requirments of competitive international markets, Sir Francis Tombs, T&N's chairman wrote.

T & N said financial benefits would come from an improvement in the combined group's competitive position; cost and efficiency improvements in research and development, administration, distribution and marketing; and tax savings which should contribute at least £6m a year to net earnings over the next three years.

The offer comprises six new T & N shares and £6 in cash for every 10 AE shares. With T & N's shares 1p down at 215p yesterday the offer is worth 189p for each AE share. AE's shares were unchanged at 233p.

Lookers family share disposals

Members of two family shareholders in Lookers, the Manchester-based car dealer, have sold a combined 20.6 per cent stake in the company.

Lloyds Merchant Bank has acquired and is beneficially interested in 7.18 per cent and the balance has been placed by Lokers' brokers Panmure Gordon with a number of institutions.

Included in the disposal are the beneficial shareholdings of Mr R. E. Tongue and his family (6.7 per cent) together with a non-beneficial stake of 0.73 per cent. Mr Tongue has resigned from the Lookers board.

The announcement comes after last month's announcement by Lookers that it had raised pre-tax profits for the six months to March 31 to £1.25m (£1.01m). Group turnover was up from £78.05m to £80.78m.

Lookers said that the outlook for the second half was good with the traditional surge in new car purchases in August still to come.

TV-am allocation details favour smaller applicants

BY RICHARD TOMKINS

Kleinwort Benson, the merchant bank, yesterday confirmed that the offer for sale of shares in TV-am, the breakfast television station being floated on the USM, had been heavily oversubscribed.

Some 41,000 applications were received for about 131m shares, nearly 11 times the 12.2m on offer. This excludes 339 preferential applications from employees and a large number of multiple applications which have been rejected.

TV-am said yesterday that it was delighted with the response and was particularly pleased at the wide range of applicants. In working out the allocation the company had given preference to small shareholders in recognition of the interest shown by TV-am viewers.

The 10 per cent of the issue reserved for preferential applicants was oversubscribed and many employees will have their applications scaled down. Applications from the public will be allocated as follows:

Applications for 200 to 800 shares will go into a weighted ballot for 200 shares and applications for 1,000 to 3,000 shares will go into a weighted ballot for 300 shares.

Applicants for 3,500 shares will receive 300. Applicants for 4,000 to 5,000 shares will receive 400, those seeking 6,000 shares will receive 500, and those applying for 7,000 to 8,000 shares will receive 600. Applicants for 9,000 shares and over will receive about 7½ per cent of the number sought.

Letters of allotment will be sent by next Tuesday and dealings will begin next Wednesday.

Brown & Jackson sale

Brown & Jackson, the marketing, distribution and commodity trading company, has surprisingly sold its final 10 per cent holding in Paul Michael Leisurewear, the loss-making footwear and knitwear group.

Brown indicated last week that it was likely to hold the 10 per cent stake for some time after it sold a controlling 55 per cent stake in Paul Michael to Cleves Investments.

Mirror Group sells stake in Reuters

Mirror Group Newspapers, published by Mr Robert Maxwell, has sold its entire stake of 2m ordinary "B" shares in Reuters Holdings, the international business information group.

Reuters "B" shares closed at 480p per share, down 3p on the day, valuing the sale at £9.6m.

Public Works Loan Board rates

Effective July 16

Years	Quota loans repaid by EIP† %	Quota loans repaid at maturity§ %	Non-quota loans A* repaid by EIP† %	Non-quota loans A* repaid at maturity§ %
1	—	9⅝	—	10
Over 1 up to 2	9⅝	9¾	10⅛	10⅛
Over 2 up to 3	9¾	9¾	10⅛	10⅛
Over 3 up to 4	9¾	9¾	10⅛	10⅛
Over 4 up to 5	9¾	9¾	10⅛	10
Over 5 up to 6	9¾	9¾	10⅛	10
Over 6 up to 7	9¾	9⅝	10⅛	10
Over 7 up to 8	9¾	9⅝	10	10
Over 8 up to 9	9¾	9⅝	10	10
Over 9 up to 10	9¾	9⅝	10	10
Over 10 up to 15	9¾	9¾	10	10⅛
Over 15 up to 25	9¾	9¾	10	10⅛
Over 25	9¾	9¾	10	10⅛

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

UK COMPANY NEWS

Labour questions City role in Guinness row

BY PETER RIDDELL, POLITICAL EDITOR

THE LABOUR leadership yesterday stepped up its campaign over the changes by brewing group Guinness in its proposed board structure for its recently acquired whisky subsidiary Distillers.

Mr John Smith, the shadow Trade and Industry Secretary, yesterday wrote to Mr Paul Channon, the Trade and Industry Secretary, saying it was not "satisfactory to leave the matter on the basis that following pressure from the Bank of England extra non-executive directors are to be appointed. That is irrelevant to the commitment to set up a board to be chaired by Sir Thomas Risk, Governor of the Bank of Scotland."

Mr Smith added that if no action was taken by the Government or a regulatory agency to secure compliance with the undertakings "what weight in future can be placed on any such undertakings? You will be aware of the special importance attached to a listed document issued in the terms of the Stock Exchange (Listing) regulations 1984, and I ask in particular what action is proposed following a departure from a proposal which was part of such of document?

"If Guinness is permitted to drive a coach and horses through the rules, what prospect is there for a properly regulated City after the Big Bang later this year?" Mr Smith added.

His concern is shared by a large number of other Scottish MPs, some of whom have tabled a Commons motion. The Scottish Office ministers also seriously disagree with what has happened.

Shield shares up on news of Hampstead development

BY RICHARD TOMKINS

Shares in The Shield Group, the North London property developer which joined the unlisted securities market last Thursday, closed 37p up at 155p yesterday on news that planning permission had been won for a potentially lucrative development overlooking Hampstead Heath.

The company came to the market through a placing by brokers Capel-Cure Myers at 72p. It has therefore more than doubled its value within a week of its flotation.

The luxury residential development will take place on the site of the present Hawthorne House, adjacent to Whitestone Pond in Hampstead. The building is thought to be at the highest point in London and Shield says the site is one of the most prominent and important ones for residential development in the capital.

Carlton Heath, a 50 per cent owned subsidiary of Shield, is due to start work on the development next year. Shield believes it will have a total resale value of over £15m.

The present old people's home owned by the Church of Christ Scientist will be demolished and replaced by an eight-unit residential development

Tranwood has 52.6% of Aitken Hume

Tranwood Group, shell company headed by Mr Nick Oppenheim, has marginally increased the level of acceptances it has from the shareholders of Aitken Hume, the troubled financial services group for which it is bidding £89m.

Tranwood now has valid acceptances from the holders of 51.4 per cent of Aitken's shares and owns in addition a 1.2 per cent stake taking its total holding to 52.6 per cent. It also has acceptances not yet countable as valid from a further 1.5 per cent.

F. Sumner agrees £6m purchase of Astra

By Lionel Barber

Francis Sumner Holdings, the former loss-making textile company, yesterday announced an agreed £6m bid for Astra Holdings, the Kent-based pyrotechnics group.

Terms are 64 new ordinary shares for every three Astra. Based on Sumner's suspended price of 24p, the offer values each Astra share at 512p, or £5.9m.

Sumner, which has substantially reduced its exposure to textiles, said it was looking for an alternative core business to develop using its £1.5m spare cash. Last year, for the first time since 1981, Sumner moved into the black, making £20,000 pre-tax profits, compared to a loss of £286,000 in 1984.

Astra's turnover rose fivefold in the last five years. In the year to March 1986, it made £340,000 pre-tax profits on turnover of £6.1m.

The Astra board is proposing to apply a second interim dividend of 2.25p instead of the previously indicated 4.5p final, making a total payment for the year of 6.75p. Irrevocable undertakings from the Astra directors and Investors in Industry (24.1 per cent) amounting to more than 59.4 per cent of the company have been given.

Magnet & Southerns picks up some lost ground to make £26m

WITH MARGINS improving in the second half, Magnet & Southerns picked up on the £4.8m profit shortfall shown at halfway.

For the year ended March 31 1986 the group has announced a pre-tax profit of £26m from a turnover of £247.6m, in line with City estimates, compared with £28.19m from £220m in the previous year.

Earnings came to 9p (10.2p) but the final dividend is 3.2p for a net total of 5.2p (4.7p).

The directors said 1984-85 saw the group undertake a considerable change in the emphasis and style of its business, taking it deep into the marketing of its products to the end user, the consumer of home improvement products.

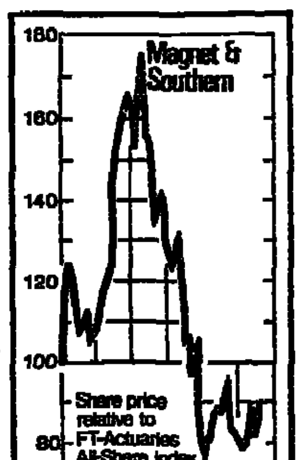
Mr J. T. Duxbury, chairman, said it was very encouraging to record a complete vindication of that decision. Not only were sales running at a considerably higher rate than the same period last year, but better margins were coming through, and management accounts for the current year were showing a substantial increase in profits.

By the end of March there were 83 supershowrooms operating. That had risen to 105 at present and by the end of next March the number should be 150. The group was now operating from 251 outlets.

Last year merchanting suffered from the weakness of timber prices and the severe winter, Mr Duxbury stated. In the current year it had been decided to close the Widnes office and concentrate the administrative functions of the group at Keighley. The reduced burden of central overheads should make the branches and depots more profitable.

In manufacturing the year was one of consolidation. Reorganisation of the metals division produced worthwhile dividends, the Lincoln woodworking factory again made a valuable contribution, and considerable progress was made in bringing Eastham's flat-pack factory in Fleetwood, bought during the year, up to the group's standards.

The greatest progress, however, was achieved at Darlington where the factory-assembled kitchens were manufactured, and where output continued its spectacular rise.



● comment

Magnet & Southerns' shares regularly bob around on bid speculation but the trend over the last year has been gently up (after some years of not so gently down) and the group is at last on the brink of some numbers that could trigger a decent rerating. The latest figures, with an almost 8 per cent setback at the pre-tax line and a 1.7 point drop in operating margins, do not make the most exciting of reading but the timber merchanting division had a particularly rough year. But it is the potential for a sharp rise this year which is all important. The retail division, and its captive manufacturing operation, is pounding ahead. The Darlington factory, churning out kitchens, is already up to 30,000 units a week and by the end of this year it should be capable of doubling that figure—demand permitting. Assuming that the merchanting side is not confronted with another winter like last pre-tax profits could leap to £37m dropping the prospective p/e to 13.8 at 184p—not exactly rich for a retailing story.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Abbey Life, Dewhurst, Electronic Machine, Gestetner, A. Kershaw, Rank Organisation, River and Mercantile Trust, Romney Trust, Rotaflex, South African Land and Exploration, Southvaal, Spectax Television, Trust of Property Shares, Vaal Reefs Exploration and Mining, Western Deep Levels, Yeoman Investment Trust.

Finals: Atlantic Assets Trust, BET, Hampson Industries, Independent Investment, Mayfair and City Properties, Menvier-Swain, Tern, Thorpac, Tops Estates.

FUTURE DATES

Interims—

Black (Peter)	July 31
Tace	July 24
Throgmorton USM Trust	July 24

Finals—

Atlas Investment Trust	July 25
Banks (Sidney C.)	Aug 6
Burndene Investments	July 22
Cray Electronics	July 31
Dee Corporation	July 29
Gold Greenlees Trott	July 29
Halton	July 24
Hillards	July 28
Norton Opax	July 28
Parrish (J. T.)	July 22
Peel	Aug 4
Quest Automation	July 18
Unigroup	July 25
Viewplan	July 24
West Yorkshire Independent Hospital	Sept 19

DIVIDENDS ANNOUNCED

	Current Payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Boged-Pelepah	0.2	—	0.2	0.31	0.3
Boged-Pelepah "A"	0.4	—	0.4	0.62	0.6
Brasway	‡1.25	—	1.25	2.25	2
HP Bulmer	3.05	Sept 8	2.66	5.29	4.9
Dixons	2.42	Oct 6	1.02*	3	1.5*
Eurotherm ......int	1.5	—	1.5	—	4.75
Gen Consol Tst ......int	4	—	3.5	—	11.1
Magnet & Southerns	3.2	Oct 1	2.7	5.2	4.7
Moorgate Inv	9.7	Sept 1	7.5	14.2	11.5
Osprey Comms	1.25	Sept 16	0.75	1.25	1.25
Union Discount ......int	11	Sept 3	11	—	37
Victoria Carpet	2.5	Oct 3	2	2.5	2

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock.

UK COMPANY NEWS

Bulmer profits recover to £11.8m

H. P. Bulmer Holdings, the Hereford-based cider manufacturer, has recovered from the £0.2m first-half shortfall to finish the year 1985-86 with pre-tax profits ahead at £11.8m. This compared with £7.52m previously, but which included reorganisation costs of £3.34m.

Net sales for the 12 months to April 25 rose 11 per cent from £124.7m to £138.1m, after excise duty of £32.54m (£30.54m). Mr Esmond Bulmer, the chairman, said that all trading divisions, with the exception of overseas drinks, showed profits growth and the overall increase was spearheaded by productivity gains.

Mr Bulmer said that the Chancellor's decision not to increase duty meant that there was now the opportunity to recover some of the ground which had been lost, following the large tax increases of earlier years.

The company therefore intended to spend significantly more promoting its major brands. Mr Bulmer said he was looking for an advance in trading profits from key activities, and with lower borrowings and interest rates currently in prospect, he was aiming for a further recovery in pre-tax profits in 1986-87.

However, as was the case in the year now reported, this was not expected to come through until the second six months.

Following the second half recovery, the final dividend is to be increased from 2.66p to 3.053p net for a total payment 8 per cent higher at 5.293p (4.9p) per share.

The UK cider and fruit juice business increased operating profits by £2.8m to £12.1m, but the UK wines, spirits and other drinks activity achieved only a modest improvement of £0.1m to £1.9m.

The pectin division doubled profits to £1.2m, but overseas drinks results dropped £0.8m to £1.65m with £0.6m of this fall attributable to adverse exchange rate movements.

After tax up from £572,000 to £4.3m (last year's low rate was due to significant capital allowances on the purchase of Red Cheek in the US) earnings per 5p share were 10.72p excluding extraordinary items. These compared with 9.64p, or 14.02p restated to exclude reorganisation costs.

An extraordinary charge of £2.41m this time comprised a provision against restructuring the Red Cheek apple juice business including the write down to net realisable value of fixed assets now held for sale; less £0.11m deferred tax credit resulting from the restructuring.

At the operating level, group profits moved ahead from £14.13m to £16.85m. A change in accounting for keg cider installations increased group trading figures by £218,000 when compared with the previous year.

There has also been a release of £2.4m from deferred tax provision at April 26, 1985 which has been added to reserves as a prior year adjustment.

Net interest payments rose from £2.89m to £4.43m. Group net borrowings at the 1985-86 year end at £20.1m showed a £2m increase over the previous year and represented a gearing ratio of 37.6 per cent (32.7 per cent).

An amount of £621,000 (£386,000) was allocated for employees' profit sharing. Last year's reorganisation costs were in respect of redundancy and early retairements arising from a significant reduction in the number of employees engaged in ongoing trading activities.

Group capital expenditure, including acquisitions, totalled £8.8m, of which the purchase of the Percentum fruit juice business in Australia represented a cash outlay of £3.18m. Capital spending for 1986-87 is planned to amount to £7.8m funded from existing resources, and total borrowings should reduce.

● comment

Brokers' eyes have a tendency to glaze over when talk turns to H. P. Bulmer, and the reason is unconnected with the effects of the company's products. Those heady days when excise duties favoured the cider tippler are long past and last year again found Bulmer struggling to increase profits against the background of a shrinking market—this time down by 4 per cent in volume. Meanwhile, attempts to diversify into growth markets have had mixed success: the acquisition of the Red Cheek apple juice business appears to have turned sour in the face of severe competition and brought in a sharp cut in operating profits as well as heavy restructuring costs. Better weather in the UK, the results of a £6.5m spend on cider promotion, and some further advances from the non-core activities could see the group through to £13.5m for the current year putting the shares on a prospective p/e ratio of 12 after a 35 per cent tax charge—an unexciting rating for an unexciting stock.

Tate can lift Berisford stake

BY LIONEL BARBER

Tate & Lyle, the UK sugar refiner which has made a conditional £480m bid for S. & W. Berisford, the commodity trading group, is free to raise its shareholding to match the 23.7 stake held by Ferruzzi, the Italian agricultural business.
NO 16—8/8¼

Thate has given an undertaking to the Trade Secretary, Mr Paul Channon, that it will not buy more than 23.7 per cent, or exercise voting rights attaching to more than 15 per cent of any class of Berisford's capital.

The undertaking applies during the course of the current Monopolies Commission investigation into Tate's and Ferruzzi's proposals for Berisford.

Tate had argued that it was placed at a disadvantage if it could not raise its nine per cent stake to match Ferruzzi's. This has been accepted by the Trade Secrtary, though Tate's advisers, S. G. Warburg, stressed that this did not mean that Tate would immediately buy Berisford shares.

The MMC investigation is expected to last at least six months and will examine the competitive effect of a Tate or Ferruzzi acquisition of Berisford's prize asset: British Sugar, the UK beet monopoly.

Union Discount has 'excellent' start to year

The Union Discount Company of London had an excellent overall trading performance for the first six months to end-June 1986, the directors said yesterday.

Despite this, they are maintaining the interim dividend at 11p per £1 stock unit. For 1985, when after-tax profits slumped from £7.94m to £1.13m, a total payment of 37p was made. At the interim stage last year the company suffered an unspecified loss.

The directors stated that during the first quarter of the current year interest rates and especially bond yields had fallen worldwide and that although in the UK base rates had risen sharply to 12½ per cent early in January, they had since fallen steadily to 10 per cent.

The good trading performance had been as a result of the company's anticipation of these movements, the directors added.

See Lex

EMAP optimistic

Prospects for the year ahead were good, Mr F. Rogers, the chairman of EMAP, newspaper and magazine publisher, told the annual meeting. The results so far were up to expectations, he said.

The company had a very strong balance sheet, which would allow it to continue its programme of growth by launch and acquisition during the next year.

IN BRIEF

WEST BROMWICH Spring incurred a £169,338 pre-tax loss for 1985 against profits of £949. Turnover improved from £3.9m to £4.26m but there was an operating loss of £107,362 (£57,797 profit). There is again no dividend payment. A tax credit amount to £92,000 (£2,000 debit).

MOORGATE Investment lifted earnings from 12.11p to 14.78p in the year ended May 31, 1986, and is raising the dividend from 11.5p to 14.2p net, with a final of 9.7p. Gross revenue came to £1.09m (£899,000) and net available revenue to £689,000 (£564,000), after tax £309,000 (£266,000). Net asset value was 453.1p (336.8p).

BRITISH KIDNEY Patient Association Investment Trust increased net asset value per £1 share from 155.3p to 220.3p in the six months to June 30, 1986. Attributable net earnings were £24,629 (£19,049) and earning per share 3.99p (3.08p). Tax took £10.368 (£8,163). The board expects the final dividend will be at least maintained at last year's 4p.

JAMES FERGUSON Holdings has concluded negotiations for the acquisition of Barlow Clowes and Partners, a specialist gilts manager. Terms are an initial consideration of £250,000 which equates to the capital at par, plus a deferred consideration equivalent to four times the pre-tax earnings for the 12 months ending March 31, 1989. Profits for the year to June 30, 1986, the first year of trading, are unlikely to exceed £100,000.

REX WILLIAMS Leisure has agreed to purchase Cointrend for 2m shares. Cointrend hires amusement machines.

OCE (UK), a wholly-owned subsidiary of Oce-van der Grinten of the Netherlands, made pre-tax profits of £1.51m (£1.18m) in the six months to May 31, 1986. Turnover rose to £26.16m (£25.74m), due to the strong performance of both Ozalid (UK) and Oce-Copiers (UK). Net interest received was £260,000 (£85,000 paid). There was no tax (same).

STELMO, a Kent-based company whose operations include concrete moulds and formwork, and concrete plants and handling equipment, has gone into receivership.

FREDERICK'S PLACE Holdings' offer for Country Gentlemens' Association has been accepted by holders of 79.08 per cent of shares (589,430 shares). The cash alternative has closed. Holders of 12.78 per cent of shares elected to receive cash.

LADBROKE INDEX
1,307-1,313 (−1)
Based on FT Index
Tel: 01-427 4411

Australian side boosts Victoria Carpet to £1.7m

GROWTH continued at Victoria Carpet Holdings and the group announced a record pre-tax profit of £1.74m for the year ended March 30 1986. This was 47 per cent up on the previous year's £1.18m.

The group, which produces Axminster, Plain Wilton and tufted carpets, achieved good results in Australia. Although borrowings were down to a relatively low level, continuing high interest rates in Australia make it necessary to retain profits there to meet capital expenditure.

Group turnover in the year rose from £25.4m to £29.1m. Net attributable profit came to £999,700 (£747,500), after tax £739,600 (£429,000) for earnings of 16.52p (12.35p). The dividend is raised to 2.5p (2p) net at a cost of £146,800 (£117,400) after waivers.

In the current year the Australian company made a satisfactory start, although at a lower level, despite the state of the economy. In the UK the first quarter improved with a continuing effort to increase margins and productivity.

From today there are changes in board responsibilities at Victoria Carpets, the Kidderminster manufacturing subsidiary.

Mr C. G. Anton retires as managing director and becomes vice-chairman, the same position he has with the holding company. He is succeeded as managing director by Mr M. W. Allman, who is also a member of the main board.

Eurotherm International p.l.c.

Industrial electronic control and monitoring equipment for world markets

Interim Report 1986

(Unaudited)	Six months ended 30th April 1986 £'000	1985 £'000
Historical Cost Accounts		
Sales		
U.K.	16,088	13,782
Overseas	27,426	24,696
	43,514	38,478
Profit before taxation, interest, minority interests and losses of associated company	4,088	3,972
Share of (losses)/profits of associated company	(16)	5
Interest expense, net of interest income	(723)	(484)
Profit before taxation and minority interests	3,349	3,493
Estimated taxation – U.K.	(577)	(630)
– Overseas	(804)	(946)
Profit before minority interests	1,968	1,917
Minority interests	(35)	(5)
Net profit	1,933	1,912
Interim dividend	(407)	(405)
Profit retained	1,526	1,507
Earnings per share	7.1p	7.1p
Interim dividend per share	1.50p	1.50p

In the half year to 30th April, Group profit on ordinary activities before taxation amounted to £3.35m (1985 – £3.49m), on an increased turnover of £43.5m (1985 – £38.5m). Overall the business remained healthy, but the two major factors which affected the first half result were our performance in the U.S.A., and our printer activities, (Infoscribe).

In the U.S.A., the period saw a marked slow-down in the growth of the economy, and Group companies were affected by a resulting change in the nature of the market place, which altered the mix of product sold. As a result, although sales were slightly increased, profits were substantially down in comparison with last year.

The printer company, Infoscribe Inc. in the U.S.A., which had been expected to move towards break-even in the period, was affected by the economy, and also suffered from the impact of the Gramm Rudman Act, which held up government purchasing in a sector where Infoscribe had been doing well. In the U.K., Infoscribe Limited was obliged to delay further the launch of the new model 2000 printer. Between them the companies lost over £800,000, shared approximately equally. However, the flow of orders has now improved, and the overheads are being tightly controlled.

Elsewhere, the picture is one of improving market penetration, and increasing sales. Good results have been achieved by all companies in Continental Europe. Eurotherm and T.C.S. in the U.K. show healthy profit increases, SSD Limited continues to perform well, and SSD Corporation in the States is progressing ahead of expectations, having received particularly strong orders in March and April. Chessell Limited, which had suffered from problems of a manufacturing shortfall of the 4000 model recorder in the first quarter, overcame these difficulties, and is seeing a high demand for the product. Amongst the new companies, InfoCare and CAMM Technology are showing encouraging progress. Several new products will be launched by Eurotherm and Chessell companies in the U.S.A. and the U.K. towards the end of the year.

I am convinced the prospects for the Group remain buoyant, but the lower first half profits and the continuing sluggishness in the U.S.A. cannot be overcome in six months, and it is likely that the results for the year to the 31st October will be similar to those in 1986.

The directors recommend an interim dividend of 1.5p per share (1985 – 1.5p).

UK COMPANY NEWS

Brasway profits advance by 52%

Brasway, West Midlands-based bright bar and welded tube maker, lifted pre-tax profits by 52 per cent from £860,000 to £1.31m in the 53 weeks to May 3, 1986, on turnover 10 per cent higher at £24.53m, against £22.32m.

Following the disposal last October of its scrap processing division, the company is left with three main core divisions, bar, oil and tube. Mr Mark Swaby, the chairman, said yesterday that he was more than satisfied with the overall performance of each.

"It may well be that the second half will really show how strong we are becoming," he added.

A divisional split of the pre-tax profits showed:— engineering £938,000; oil blending £97,000; scrap processing £90,000 (11 months trading); head office £132,000 and associated company £34,000.

On capital increased by last October's £1.2m rights issue, the dividend is lifted to 2.25p (2p) net with a final of 1.25p. A one-for-one scrip issue is also proposed. Stated earnings per 10p share, on a weighted average basis were 9.16p (9.21p), after tax of £537,000 (£190,000).

An extraordinary credit of £347,000 this time comprised a £811,000 profit on the disposal of the scrap processing division to Coopers Holdings; less the £130,000 costs of the disposal of a leasehold property and £334,000 tax.

Yearling bonds

Yearling bonds totalling £3.5m at 9 1/8 per cent, redeemable on July 22 1987, have been issued by the following local authorities. Brighton Borough Council £1m; Dudley Metropolitan BC £0.5m; Doncaster MBC £1m; Swansea (City of) £1m.

Poor response to USM offer for sales

F & H hopes to buck the trend

BY RICHARD TOMKINS

F & H Group, a Luton-based designer and supplier of control systems for industrial plant, is to brave the USM new issue market shortly with an offer for sale likely to value the company at £10m to £15m.

The USM has not reacted warmly to offers for sale so far this year. TV-am may have been 11 times oversubscribed this week but most other issues have had a poor response: M6 Cash & Carry, for example, was only 19 per cent subscribed earlier this month.

F & H is hoping that a combination of its strong profits growth, good prospects and an undemanding price will enable it to buck the trend. It also benefits from being able to coincide its flotation with an announcement that it has just won a contract worth over £2m to supply the control system for new baggage handling systems at London Heathrow airport's Terminal 3.

Founded in 1967, F & H was originally a general electrical contractor but soon spotted industrial control systems as a potential growth area. Early systems were based on electro-mechanical relays and then transistors, but the introduction of microprocessors enabled F & H to take a technological leap forward to the present-day programmable controller.

A programmable controller receives input data from plant through devices such as sensors, switches and measuring instruments, makes logical decisions based on the programme which has been fed into it, and responds by activating motors, switches, or visual displays. As F & H's chairman, Mr Tony Minta, says: "Wherever there is machinery and an element of electronic control, there is scope for one of our systems."

F & H claims to have been one of the leaders in introducing programmable controllers to the UK. It is not, however, a manufacturer: its skill is designing systems to customers' specifications, choosing the appropriate components from other manufacturers' products, developing the necessary software, and installing the system complete.

The paint shop control room at General Motors' Vauxhall plant at Luton. F & H supplied virtually everything but the people.

Examples of big projects completed in the year to last April include a control system for Vauxhall Motors' new paint shop at Luton which will prepare, prime and paint all cars made there: a baggage handling control system for Heathrow airport's Terminal 4; and a system for the Allied Mills division of Associated British Foods.

Profits have grown from £121,000 in 1982 to £1.8m last year on turnover up from £1.9m to £7.8m, but the lumpy income stream from larger projects has caused wide variations in margins over the years. Mr Minta expects these to smooth out.

One of the main reasons for F & H's flotation is to enable the management to buy out Mr Dennis Fine, a founder of the company who has stepped down from day-to-day involvement in management following its transformation from electrical contractor to systems designer.

Some £4.5m will be raised through the offer for sale—too much to enable the company to qualify for a placing—of which about £3.5m will go into buying most of the Fine family stake and the rest into working capital.

Smith New Court Agency, the issue's sponsors, is keenly aware that the F & H offer will have to be priced attractively if it is to succeed, but it will not be giving it away. "After all, industry is continually having to increase the sophistication of its control systems and there are not many other people in the business," says Mr Nicholas Banszky of the firm's corporate finance department.

Pricing is going to be tricky in the absence of any directly comparable companies, but an historic multiple of about 12 seems likely.

FREE STATE INVESTMENT DEVELOPMENT AND CORPORATION LIMITED

(Incorporated in the Republic of South Africa)
Registration No. 05/16931/06

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1986

CONSOLIDATED INCOME STATEMENT (unaudited)

	1986 R000	1985 R000
Income from investments (Note 1)	1 399	2 806
Interest received	459	263
Share of mining profits	422	308
Sundry revenue	5	22
	2 285	3 399
Cost of administration	500	152
Net normal income	1 785	3 247
Surplus on realisation of investments	167	(47)
Profit before taxation	1 952	3 200
Taxation	103	108
	1 849	3 092
Ordinary dividends	1 271	2 722
Interim	1 271	726
Final		1 996
Retained profit for the year	578	370
Retained profit at beginning of year	6 535	6 165
Retained profit at end of year	7 113	6 535
Number of ordinary shares in issue (Note 1)	21 782 063	3 630 000

CONSOLIDATED BALANCE SHEET (unaudited)

	1986 R000	1985 R000
Capital employed		
Issued share capital	2 178	1 815
Share premium	7 625	–
Distributable reserve	7 113	6 535
Ordinary shareholders' interest	16 916	8 350
Employment of capital		
Investments	–	8 016
Mineral and participation rights and cost of exploration	8 795	500
Net current assets (liabilities)	8 121	(166)
Current assets	10 549	2 393
Current liabilities	2 428	2 559
	16 916	8 350

NOTES

1. At a general meeting of members held on 21 January 1986, approval was given for the restructuring of the company and for the sale at 31 December 1985 of the company's share portfolio to DAB Investments Limited. As a result investment income was only received for the period 1.7.85 to 31.12.85.
   Pursuant to the restructuring proposals, the company's ordinary shares of 50 cents were subdivided into 5 ordinary shares of 10 cents each, and the company acquired the entire issued share capital of Southern Holdings (Pty) Ltd and certain non-contributory mineral participation rights, details of which have been circulated to shareholders.
2. Shareholders have previously been advised that the payment of dividends by the company in future will depend upon the extent to which the mineral rights portfolio can be brought to account. In present circumstances, the board considers that no final dividend should be declared.
3. Cost of administration includes expenditure related to the restructuring proposals.

For and on behalf of the board
V. G. BRAY
C. I. VON CHRISTIERSON } Directors

Head Office and Registered Office:
Consolidated Building,
Corner Fox and Harrison Streets,
JOHANNESBURG 2001

Postal Address:
P.O. Box 590
JOHANNESBURG 2000

16 July 1986

This advertisement is issued in compliance with the Regulations of the Council of The Stock Exchange. It does not constitute an invitation to the public to subscribe for or purchase any securities of the Company.

TOP VALUE INDUSTRIES PLC

Incorporated in England under the Companies Act 1929
Registered No. 396956

INTRODUCTION TO THE OFFICIAL LIST

Number	Ordinary Shares of 10p each	£
13,800,000	Authorised Issued	1,380,000
8,000,000	and to be issued fully paid	800,000

Permission has been granted by the Council of The Stock Exchange for the whole of the share capital of Top Value Industries PLC, issued and to be issued, to be admitted to the Official List. The shares for which permission has been granted comprise the share capital of Top Value Industries PLC, including those to be issued pursuant to the acquisition of David Conrad (Sales) Limited and the Rights Offer announced on 26th June, 1986. Dealings will commence today, 17th July, 1986.

Listing Particulars relating to the Company are available in the Extel Statistical Service and copies of such listing particulars are also available during normal business hours on any weekday (excluding Saturdays and public holidays) up to and including 1st August, 1986 from:

Top Value Industries plc	Alexanders Laing & Cruickshank	The Royal Bank of Scotland plc
Vulcan Works	Piercy House	P.O. Box 86
Pollard Street	7 Copthall Avenue	34 Fettes Row
Manchester M4 7AR	London EC2R 7BE	Edinburgh EH3 6UU

and are also available from the Company Announcements Office, Quotations Department, P.O. Box 119, The Stock Exchange, London EC2 2BT on 18th and 21st July, 1986, for collection purposes only.

17th July, 1986

Osprey lower at £129,000

Following a 56 per cent reduction in interim profits, Osprey Communications, advertising agency, ended the year to March 31 1986 with pre-tax figures 36 per cent below at £128,794, compared with £200,890.

However, after omitting the interim dividend there is a final of 1.25p net which maintains the year's payout at the 1984-85 level. Stated earnings per 25p share fell from 3.25p to 1.6p.

Turnover for the year more than doubled from £2.2m to £4.63m.

Carling upsurge

Carling O'Keefe, the Canadian brewing and wine products subsidiary of Rothmans International, hoisted earnings from continuing operations from C$548,000 to C$6.4m (£3.1m) in the first quarter period to June 30 1986. The result reflected improved profitability in the beer operations.

After a loss of $800,000 ($658,000 earnings) from discontinued activities and an extraordinary credit of $6m this time, total earnings jumped from $1.21m to $11.6m.

Earnings per share from continuing operations were 23 cents (3 cents) before extraordinary items and 51 cents (3 cents) after the same.

This is neither an offer to exchange or sell nor a solicitation of an offer to buy or exchange any security. The Exchange Offer is made only by the Prospectus dated July 15, 1986 and the related Letter of Transmittal, and the Exchange Offer is not being made to, nor will tenders be accepted from, holders of these securities in any jurisdiction in which the making or acceptance thereof would not be in compliance with the securities laws of such jurisdiction.

PENGO FINANCE N.V.

Offer to Exchange

its

Class A Non-Interest Bearing Convertible Senior Subordinated Guaranteed Debentures due 1991;
Class B Non-Interest Bearing Convertible Senior Subordinated Guaranteed Debentures due 1991;
8½ per cent. Convertible Subordinated Guaranteed Debentures 1995

For Securities Of

PENGO INDUSTRIES, INC.

Fort Worth, Texas, U.S.A.

Pengo Finance N.V. ("Finance") is offering to holders of its Class A Non-Interest Bearing Convertible Senior Subordinated Guaranteed Debentures due 1991, Class B Non-Interest Bearing Convertible Senior Subordinated Guaranteed Debentures due 1991 (together "New Debentures") and 8½ per cent. Convertible Subordinated Guaranteed Debentures 1995 ("Old Debentures") the Exchange Offer summarized below.

Pengo Industries, Inc. ("Pengo") has recommended to its shareholders a 1 for 10 share reverse stock split which will be voted upon September 5, 1986. The description of the Exchange Offer below reflect the effect of such reverse stock split except where indicated.

	A Holder Will Receive	Pre-Split	Post-Split
For each $500 Principal Amount of New Debentures (Both Class A and Class B)	Shares of Pengo Common Stock	530	53
	Shares of Pengo Junior Convertible Preferred Stock, $50 liquidation value	3	3
	Each share convertible into shares of Pengo Common Stock	200	20
	112 Warrants to purchase one share of Pengo Common Stock at	$.20	$2.00
	12 Warrants to purchase one share of Pengo Common Stock at	$.05	$ .50
For each $1,000 Principal Amount of Old Debentures plus all accrued interest	Shares of Pengo Common Stock	1,050	105
	Shares of Pengo Common Stock for all past due interest	500	50
	Shares of Pengo Junior Convertible Preferred Stock, $50 liquidation value	4	4
	Each share convertible into shares of Pengo Common Stock	200	20
	150 Warrants to purchase one share of Pengo Common Stock at	$.15	$1.50
	16 Warrants to purchase one share of Pengo Common Stock at	$.05	$ .50
	$107.50 payable October 1, 1986 in Pengo Common Stock and any available cash. The stock will be valued at $2.00 per share (post-split) and any available cash will be derived from 2½% of the net proceeds received from Pengo's divestiture of specified assets		
	Old Debentures will be accepted only if tendered along with all coupons for interest payable on and subsequent to December 1, 1983.		

All tenders may be withdrawn before July 29, 1986. On and after July 29, 1986, all tenders are irrevocable until, and if the Exchange Offer is consummated prior to, September 10, 1986. All tenders not accepted by Finance prior to September 10, 1986, may thereafter be withdrawn.

The terms and conditions of the Exchange Offer are set forth in the Prospectus dated July 15, 1986 and the related Letter of Transmittal, copies of which should be obtained from the Exchange Agent. The Exchange Offer is conditioned upon the tender and acceptance of at least 80% each of the outstanding principal amounts of Old and both classes of New Debentures and is a condition to the consummation of the debt restructuring arrangement of Pengo. If such condition is not satisfied, the Exchange Offer will not be consummated and all tendered Old and New Debentures will be returned. Furthermore, the consummation of the Exchange Offer is conditioned upon the approval by the Pengo shareholders of, among other things, the authorization to issue the Junior Convertible Preferred Stock, $50 liquidation value, and an increase to the number of authorized shares of Common Stock.

THE EXCHANGE OFFER WILL EXPIRE AT 10:00 P.M. LONDON TIME (5:00 P.M. NEW YORK TIME), ON AUGUST 11, 1986, UNLESS EXTENDED BY FINANCE.

The Pengo Common Stock is listed and traded on the New York Stock Exchange (symbol: PGO).

Requests for assistance and copies of related documents should be directed to the Exchange Agent as follows: Mr. Richard Crews, Chemical Bank, 180 Strand, London WC2R 1ET. Telephone Number: (collect), 01-379-7474, Telex Number: 264766 (Answer Back CHEMBK G).

July 15, 1986.

Commercial Director

West End **Salary c£45,000 + benefits**

... firm of Consultants in the Design Field who have enjoyed rapid ... in recent years, have identified the need to strengthen their ... Director.

... the financial, accounting, ... pricing policies for ... practice, together with the ... computer applications which include CAD.

... will be financially orientated, familiar with project planning and control techniques, capable of working in harmony with senior colleagues and will have demonstrated a sound commercial approach in a comparable or relevant environment.

Interested candidates should send a detailed CV to Don Day FCA, quoting reference LM50, at Spicer and Pegler Associates, Friary Court, 65 Crutched Friars, London EC3N 2NP.

Spicer and Pegler Associates
Management Services

DIRECTOR OF PERSONAL BANKING

National Girobank seeks to appoint an experienced and successful marketing specialist to this crucial senior management position.

The Director of Personal Banking reports to the Managing Director. He or she will lead the development of financial products and services for the private customers of the Bank and, working through its regional network, oversee their introduction and implementation.

Candidates will be between 35 and 40. They should have:

- A record of achievement in consumer marketing
- Experience of marketing financial services and/or banking products
- The ability to work successfully with and through others

The importance of the position will be reflected in a fully competitive level of remuneration.

Applications, together with a curriculum vitae, should be sent to Malcolm Williamson, Managing Director, National Girobank, 10 Milk Street, London EC2V 8JH.

NATIONAL Girobank

Deputy Secretary

c. £17,000-£20,000, plus car.

This appointment based at our client's West Midlands headquarters, provides an ideal opportunity for a young (25-30) Solicitor looking for a career in commerce. The post offers the successful candidate a wide range of company secretarial and legal responsibilities. Our client is an international Group listed on the London Stock Exchange with interests in over 30 countries.

Your responsibilities will encompass the complete secretarial function including compliance with company legislation and Stock Exchange regulations, the administration of various share option schemes, the preparation of interim announcements and Annual Reports and dealings with City institutions on a varied range of topics. In addition you will be responsible for liaison with UK and overseas legal advisers across a broad spectrum of *commercial law matters.*

You will be capable of working to the stringent professional standards. required for this post.

The salary package is dependent upon experience and includes a car and Private Medical Insurance. Relocation assistance will be given if required.

Please telephone Barrie Witt on 021-455 6255 (office hours) or 06845 66477 (evenings) or write to him with full CV quoting ref. LS267 at Austin Knight Selection, Tricorn House, 51-53 Hagley Road, Birmingham B16 8TP.

Austin Knight Selection

Hoggett Bowers

Executive Search and Selection Consultants

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Hoggett Bowers plc. successfully floated on the USM in 1984 and continuing to achieve substantial profit growth, operates nationally at the forefront of the executive recruitment industry, providing highly professional services to a wide range of clients. The City Office wishes to enhance its market penetration by the recruitment of additional consultants. Following an intensive training programme you will be responsible, in an environment of individual initiative and operational freedom, for the generation, management and successful completion of senior level recruitment assignments, drawing on your broad base of business management skills. If you are 27 to 40, a graduate or professionally qualified, believe you can sell our services in a competitive environment, and have the presence, aptitude and skills to manage a business portfolio, this could be the career move you are seeking. *Profit sharing is based upon individual contribution and can be exceptional.* Success will however require commitment, abundant energy and total self-motivation. You may never previously have considered a move into this industry, there again most of our successful people would say the same. If you identify with the scenario described above we would certainly like to talk to you.

Male or female candidates should submit in confidence a comprehensive c.v. or telephone for a personal history form to *P.A. Adderley*, **Hoggett Bowers plc,** *7 Lisbon Square*, **LEEDS**, *LS1 4LZ*, **0532 448661**, quoting *Ref:11711/FT.*

FINANCIAL CONTROLLER

LONDON **To £25,000 + CAR**

This is a challenging position for a qualified accountant within a company in the entertainments field, itself a subsidiary of a major international leisure group.

Responsibilities cover financial control and planning, systems development and administration with a strong emphasis on commercial guidance.

Candidates will be confident self-starters aged 28-38 and will enjoy shirt-sleeved involvement in a short cycle business environment, encompassing close control of working capital and development of the necessary systems.

Please reply in confidence with a comprehensive curriculum vitae including details of current remuneration and a daytime telephone number to D.E. Shribman.

HUDSON SHRIBMAN
THE COMPLETE FINANCIAL SELECTION SERVICE
Vernon House, Sicilian Avenue, London WC1A 2QH. Tel: 01-831 2323

Fund Managers

c £22,000 : Plus Substantial Benefits

Our client is a major London-based insurance group with a successful record of growth in unit trusts and financial services.

It now wishes to strengthen its investment team by the addition of two portfolio managers. One will take responsibility for the fixed interest portfolios, and the other for selected UK equity portfolios. The successful candidates will be graduates in their mid-twenties and will have had at least two years successful research and management experience in a similar organisation.

These are excellent opportunities for talented and ambitious people to advance their careers. The remuneration package will be attractive, and will include subsidised mortgage arrangements.

Please send full cv – in confidence – stating current salary to D. Austin ref. B.7005.

HAY-MSL Selection and Advertising Limited,
52 Grosvenor Gardens, London SW1W 0AW.

Offices in Europe, the Americas, Australasia and Asia Pacific.

HAY-MSL
MANAGEMENT SELECTION

Fixed Interest Portfolio

PosTel Investment Management Limited, investment managers for the British Telecom and the Post Office Superannuation Schemes, are looking for a competent professional to join the small gilt-edged and fixed-interest team.

The successful candidate would undertake the analysis of fixed-interest markets, deal in such securities and monitor the performance of the Funds managed. Applicants should be graduates with a high level of numeracy. Familiarity with the *techniques of fixed-interest analysis and a minimum of two years' relevant* experience is essential.

Please write with full career details to:

Clive Gilchrist, Investment Manager, PosTel Investment Management Limited, Equitable House, 48 King William Street, London EC4R 9DD

PosTel
Investment Management Ltd

FINANCE DIRECTOR

Building Contractor

Remuneration package circa £25,000

Our client is a rapidly growing building contracting company based near Peterborough. Recent and projected expansion has created the need for a Finance Director to take full responsibility for all financial and administrative matters.

The Finance Director will report to the Managing Director and be a vital part of the small senior management team. The successful candidate will be a qualified accountant and construction industry experience is seen as essential. The ability to handle financial matters at the highest level is vital and a working knowledge of computers would be desirable.

The remuneration package will include a salary of about £20,000, profit share and a fully expensed car. Relocation expenses will be considered.

Replies in confidence enclosing curriculum vitae to the Managing Director

Tanstead Associates Ltd
Executive Search & Selection
West End House, 11 Hills Place, London W1R 1AG

a member of the Tanstead Professional Group

Appointments Wanted

DIRECT RESPONSE EXECUTIVE

With wide experience over 20 years looking for position with company wishing to rapidly expand financial services to individuals.

Write Box A0210, Financial Times 10 Cannon St, London EC4P 4BY

YOUNG QUALIFIED GRADUATE

Young man (23) good: speech/appearance/typing. Hard working, with clean driving licence offers loyal dedicated service for position with good prospects with stock-broker/merchant bank etc.
Willing to start at bottom and work for trial period for travel + lunch expenses only.

Tel: Andrew on 0273 (Brighton) 505714 or Write Box A0209, Financial Times, 10 Cannon St London EC4P 4BY

WANTED
SENIOR ANALYST

Wide experience/contacts UK equities. Interested new opportunity. Some preference not broking

Write Box A0206, Financial Times 10 Cannon St. London EC4P 4BY

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BANKING

UK incorporated financial institution (LDT) located in the West End is seeking to appoint the following key personnel:

—Assistant General Manager: skilled banker with at least 10 years experience in trade finance. Age 40 to 45. Salary about £35K-£40K.

—Manager, Marketing and Business Development: 5-10 years' experience in banking required with wide knowledge in Europe, Middle East and African markets. Age 30 to 35. Salary about £25K-£30K.

Candidates should have wide experience in international banking operations and should be prepared to accept challenging assignment in a young and dynamic institution. Remuneration is negotiable and is in the ranges mentioned above with the usual other banking benefits.

Please write in confidence, giving full career details, to:—

Box A0207, Financial Times
10 Cannon Street, London EC4P 4BY

International Appointments

EDP AUDITOR

Kuwait Based

A leading Commercial bank in Kuwait seeks a seasoned banking professional to fill a position in EDP Auditing.

The selected candidate will report directly to the Chief Internal Auditor, and will be primarily responsible for the ongoing evaluation of control and security of all EDP activities, develop and establish EDP audit methods, and provide support to Operations Auditors.

Applicant should be graduates of Computer Science or Accounting/Business Administration with experience in EDP. All round banking knowledge, and 4 - 5 years experience in an Audit function of a Bank is essential.

Attractive tax free salary and benefits package will be negotiated to reflect experience and qualifications.

Interested candidates should write with full career and salary details to:

The Advertiser,
P.O.Box: 2217 Safat,
13023 Safat - Kuwait.

CHIEF DEALER

MIDDLE EAST

A leading commercial bank in the Gulf seeks to appoint a Chief Dealer to be based in the Middle East.

Applicants should have several years' experience in all aspects of Money Market and FX Dealing. The Applicant should be used to handling large volume business and be capable of managing a highly-motivated, multi-national dealing team. Ideally applicants should be in their 30s and fluent English is essential. Salary substantial and negotiable depending on experience. Full range of benefits applicable to an International Bank based in the Middle East.

Interested applicants should send a full curriculum vitae to:

Box A0212, Financial Times
10 Cannon Street, London EC4P 4BY

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is a leader in providing its clients with a complete business and/or personal financial service. Personal portfolio management, offshore investments, unit trusts, pensions, mortgages and tax planning are just some of our areas of involvement. We recognise that it takes a very special person to explain these services and to advise our clients on how best to manage their money successfully. If you are aged between 25-55, self-motivated and enjoy dealing with people, that person could be you.

If you are looking for an opportunity to develop a new career, talk to Hill Samuel — Contact:

K. M. D. Usher at 29 Queen Anne's Gate, London SW1H 9BQ
Telephone: 01-222 4858

TRAINEE INVESTMENT ANALYST

The London division of an international securities group requires a graduate with good honours degree to *join a small team principally* covering the UK markets. The successful candidate, who will be trained in equity analysis, will be joining the company at an exciting stage in its development prior to "Big Bang."
Please submit a comprehensive c.v. to:

Mrs P. Courtenay
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39/41 New Broad Street, London EC2M 1JH

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Due to current expansion
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Mr. N. Brooke, Milestone House
107 Cannon Street, London EC4N 5AY
Telephone: 01-283 7842

International Appointments

Southern Spain £very attractive package

La Manga Club, situated on the Costa Calida, is owned and managed by European Ferries Group plc. The complex includes luxury villas and apartments and an unrivalled range of sports and leisure facilities. La Manga Club now wishes to strengthen its internationally experienced management team by making the following appointments.

DIRECTOR OF FINANCE

Reporting to the Managing Director and Resort Director, the appointee will assume total responsibility for the financial direction and management of the Group's Spanish division. There will also be a responsibility for reporting to the Group's head office.

Candidates must be MBA, qualified accountants or equivalent, with previous exposure to property development or travel-related projects, at a senior level. A knowledge of Spanish would obviously be an advantage but is not considered essential for this appointment. This is a fast moving environment and the ability to retain an organised and positive approach under pressure is essential. Candidates should be outgoing and personable and able to relate to a cosmopolitan team. Ref: E3034/2/L.

FINANCIAL CONTROLLER

This appointment will be mainly concerned with the La Quinta Club. Based at La Manga Club, La Quinta Club is a 'club within a club' offering a range of villas and access to all the facilities of La Manga Club.

The Financial Controller will be responsible for day-to-day accounting, project accounting, treasury and administration of trustee management at La Quinta Club. The appointment reports to the Director of Finance, La Manga Club and to other Directors for specific projects.

There will also be regular contact with Group head office.

Candidates, ideally, late 20's—mid 30's, should have a recognised accountancy qualification, MBA or equivalent. A working knowledge of Spanish is required for this appointment and previous experience of liaising with legal and taxation advisers internationally would be an advantage. An analytical and methodical approach is essential as is a personable and friendly disposition. Ref: E3034/3/L.

For both appointments an attractive remuneration package is offered and accommodation will be provided at La Manga Club for employees and, if applicable, their families.

Please write in confidence, enclosing career details and quoting the appropriate reference to Valerie Fairbank, Executive Selection Division.

PEAT MARWICK

Peat, Marwick, Mitchell & Co.,
165 Queen Victoria Street, Blackfriars, London EC4V 3PD.

SENIOR V.P. ACCOUNTING

c.£32,000 + Full Expatriate Benefits

A major financial institution in the Middle East, involved in a diverse range of activities including banking, real estate and direct investment is seeking a Senior Vice President, Accounting.

The successful candidate will assume overall responsibility for the day-to-day accounting functions of the organisation and will be expected to oversee the further development and enhancement of the computerised financial and management accounting systems. The appointee will also liaise with the Central Bank and other institutions and fluency in arabic is therefore essential.

Candidates, ideally aged 35-45, must have a recognised accountancy qualification and previous experience in wholesale banking or a large financial institution. A confident, mature and adaptable personality is needed to successfully manage, train and motivate staff in a multi-cultural environment.

The appointment will be made initially on a 2 year contract and may be single or married status.

In addition to an attractive salary, the package will include accommodation, car, air fares and school fees allowance.

Please write in confidence, enclosing career details and quoting reference K2526/L to Valerie Fairbank, Executive Selection Division.

PEAT MARWICK

Peat, Marwick, Mitchell & Co.,
165 Queen Victoria Street, Blackfriars, London EC4V 3PD.

Assistant General Manager Financial Services Marketing

Kuwait

Our client is a highly regarded financial services company owned by substantial Kuwaiti and international shareholders. Managed by an international bank, it provides advice to local clients on international investments in equity and real estate markets as well as typical banking services. The company is represented in London and Paris and is growing rapidly.

Reporting to the General Manager, the successful candidate will be responsible for:-

- management of the local marketing team;
- liaison with the London representative office;
- business and product development in the Gulf markets generally.

The ideal candidate should have good marketing experience of a wide range of banking and investment products. Preferred age is 35 - 40. Prior knowledge of the Middle East would be valuable but is not essential.

A generous salary, expatriate package and contract is offered.

Please reply in confidence with full cv details to Box No. AGM 208, *Chronicle House, 4th Floor*, 72-78 Fleet Street, London EC4Y 1HY.

EMPLOYMENT CONDITIONS ABROAD LIMITED

An international association of employers providing confidential information to its member companies relating to employment of expatriates and nationals worldwide.

Anchor House
15 Britten Street
London SW3 3YL
Tel: 01-351 7151

PORTFOLIO MANAGER
United Arab Emirates

Our client, one of the leading international banks in the United Arab Emirates, is seeking to appoint a Portfolio Manager to be responsible for identifying and developing opportunities *to serve the financial needs of high net worth individuals.*

The successful applicant, who will probably be in his mid-30's, will ideally have had previous experience in the Middle East but, more importantly, will have an extensive knowledge of private banking which will include investments in fixed interest and other bonds in the European, Far Eastern and North American markets. Fluency in Arabic would be an added advantage.

An attractive tax free salary together with a full package of expatriate benefits is offered, which will fully reflect the demands of the position and the background of the candidate.

Interested applicants should send a full Curriculum Vitae to **Robert Watsham, Director, Jonathan Wren International Ltd, 170 Bishopsgate, London EC2M 4LX. Tel: 01-623 1266, Tlx: 8954673 WRENCO.**

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Jonathan Wren International Ltd
Banking Consultants

SWIFT

We are an international organization based in Belgium and operating a worldwide computer-banking telecommunications network.

Our Chief Inspector's Office is creating a new position, located in Brussels, and is looking for a

Senior Auditor/ Management Consultant

(m/f - ref. FT 139)

The function:

- ☐ conducts an ongoing audit of the systems development activity
- ☐ ensures the security and reliability of the service to member banks
- ☐ recommends and reviews procedures in order to ensure security and confidentiality of the computer based information systems
- ☐ reviews the physical security of the impacted switching points around the world.

The successful candidate will be:

- ☐ *a high level specialist in computing – especially in new generation systems –* with at least 3 years experience in systems auditing, preferably in an international environment
- ☐ good academic background
- ☐ aged between 25 and 40 and ready to travel
- ☐ fluent in English; additional languages would be an asset
- ☐ an effective leader, capable of handling responsibilities and people at high level
- ☐ some knowledge of international banking would be helpful.

We offer a highly attractive salary package reflecting the importance of this key position.

ƒ 30.000 +

If the challenge of this opportunity appeals to you, please send a detailed curriculum vitae and photo to:

Jerry RUBIN,
Personnel Consultant,
chaussée de La Hulpe 185
1170 Brussels.

All applications will be handled with absolute discretion and all applicants will receive a reply.

ASTLEY & PEARCE (BENELUX) S.A. LUXEMBOURG

We are currently looking for

SPOT BROKER

with 1-2 years experience, preferably with continental connections. Salary negotiable
Please apply in writing enclosing CV to:
Mr K. Cook
Astley & Pearce (Benelux) SA
13 rue Notre Dame,
Luxembourg
or Tel: Luxembourg 20511

MERCK & Co. Inc., the leading U.S. pharmaceutical company (Sales $ 3.6 Billion), offers a career opportunity to an interested financially oriented professional. Initially, the successful candidate will join the International Audit Department located in Brussels as a (m/f)

MSD MERCK SHARP & DOHME

INTERNATIONAL INTERNAL AUDITOR

for approximately 2 to 3 years (50 % travel, mostly within Europe). Upon completion of this assignment, the individual is normally promoted (90 % success history) into the managerial ranks of the company's European subsidiaries.

In order to continue our excellent record of people and promotions, the candidate must have a University degree (preferably Master's level), be fluent in at least three languages (including English) and have a minimum of 3 to 4 years of solid professional experience.

Interested parties can reply in total confidence (include c.v.) to: Mr Georges Van Acker, c/o MERCK SHARP & DOHME, chaussée de Waterloo 1135, B-1180 Brussels (Belgium).

A rewarding career lies ahead.

CONTROLLER
MIDDLE EAST

A leading bank in the Gulf seeks to appoint a Comptroller to be based at Head Office.

The incumbent will be responsible for establishing and directing the performance of the bank's financial and management accounting, for profit planning and budgeting, internal accounting and financial controls and for regulatory compliance functions as required; directing E.D.P. policy and managing the on-going computer development, identifying operational areas within the bank which will benefit from automation, managing and directing Advertising and P.R. concepts, development of new advertising ideas for the media and review of the corporate image.

The successful candidate will be qualified to ACA or equivalent standard and possess a minimum six years' relevant banking experience, some of which will have been gained within an automated environment. Strategic planning skills would be an added advantage and a working knowledge of Arabic is desirable but not essential.

In addition to the tax-free salary, an excellent benefits package is offered, which will include free furnished accommodation and transportation.

Interested applicants should send a full curricuum vitae to:—

Box A0211, Financial Times
10 Cannon Street, London EC4P 4BY

PARIBAS SUISSE

BANQUE PARIBAS (SUISSE) S.A.

is looking for an

INVESTMENT ANALYST

to take the responsibility of the US Equity market within a team covering international equity markets and to contribute to the setting-up of the investment policy of the bank.

The candidate must be a highly qualified fundamental analyst with several years of professional experience. He/she should be 30-35 years old, fluent in both English and French, hard-working, reliable and imaginative.

Please apply with full career details to:

Head of Personnel
BANQUE PARIBAS (SUISSE) SA
2 Place de Hollande
CH-1204 Geneva

International Trading House operating from London, Europe, South America, USA and Asia active in

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The position carries full responsibility for all the financial and trading function challenge includes:

- * Structuring counter/barter/compensation trades
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- * Full knowledge of banking arrangements, lines of credit, documentary credits, etc
- * *Awareness of World Funding Agencies and operational environment*
- * Able to communicate and negotiate in the world market place
- * Fluent in English and/or one other European language
- * Experienced in trading (min. 10 years) in agricultural, soft commodities in the South East Asian and China markets
- * Between 2 5and 45 years of age

Candidates must possess professional approach, energy and imagination. Applicants are requested to write in their *bio-data with contact telephone number* and a recent photograph. The total remuneration package will be negotiable at a level reflecting the importance of this appointment.

International Banking
MIDDLE EAST

A major Middle East bank is seeking a correspondent banker to manage its Banking Relations Department. Primary responsibilities include liaison with all correspondent banks, especially developing business via correspondent contacts. Demonstrated success in bank marketing and operations a must. Applicants should have three to four years' experience in this field.

Applicants apply to: Box A0213, Financial Times
10 Cannon Street, London EC4P 4BY

Appointments Advertising

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For further information call:

Louise Hunter
01-248 4864

Jane Liversidge
01-248 5205

Daniel Berry
01-248 4782

ASTLEY & PEARCE (BENELUX) S.A. LUXEMBOURG

We are currently looking for

DEPOSIT BROKERS

with 1-2 pears experience. Salary negotiable
Please apply in writing enclosing CV to:
Mr K. Cook
Astley & Pearce (Benelux) SA, 13 rue Notre Dame, Luxembourg
or Tel: Luxembourg 20511

APPOINTMENTS

Charterhouse Bank managing director

Mr Anthony Best is joining CHARTERHOUSE BANK in September as a managing director with responsibility for its banking division. He is managing director of The Royal Trust of Canada's London operations, where he has been for the past four years. **Mr Michael J. Ordish** will join CHARTERHOUSE PLC as a director on September. He will be responsible for regulatory compliance throughout the Charterhouse group. Mr Ordish is the head of the company law department at Clifford-Turner, which he joined in 1958.

★

Ms Nisha Alvares Meneses has been appointed a director of COUNTY NATWEST CAPITAL MARKETS. She will be responsible for a marketing group covering Canada, the supranational institutions and Ireland.

★

Sir Zelman Cowen, provost of Oriel College, Oxford, and formerly governor-general of Australia, has been elected as chairman of the trustees of VISNEWS. He succeeds **Mr John Crawley**, who had been chairman since 1976.

★

Mr Norman C. England has been appointed a director of SINGER & FRIEDLANDER. Mr England recently retired as a partner of Peat Marwick Mitchell & Co.

★

Mr D. M. H. Skinner has been appointed a director of BARING FUND MANAGERS.

★

Mr David Knowles has been appointed sales director of METALRAX LTD, part of the Metalrax Group.

★

At J. HENRY SCHRODER WAGG AND CO. **Mr J. A. Adams, Mr J. C. Aston, Miss J. Barnes, Mrs R. Blomfield-Smith, Mr C. N. Boothman, Mr N. Caiger-Smith, Mrs A. J. Carnwath, Mr C. Collins, Mrs C. Davis, Mr A. M. Gaulier, Mr H. Grootenhuis, Miss M. Hall, Mr R. Haw, Mr J. C. Henderson, Mr J. Horsburgh, Mr F. H. Jackson, Mr B. M. Jones, Mr R. C. Lazarus, Mr A. M. Shaw, Mr R. F. Thurgood, Mr H. van der Klugt** and **Mr B. Ward** have been appointed assistant directors.

★

Mr Hugh Jon Foulds and **Mr John L. Wood** have been appointed directors of HALIFAX BUILDING SOCIETY from August 1. Mr Foulds is a director and chief executive of Investors in Industry Group and deputy chairman of Brammer. Mr Wood, a member of the London board, is chairman of McCorquodale. He is a director of Hargreaves Group and due to become chairman on August 1. **Mr Gordon Sykes** is to retire from the board on July 31.

★

Mr Angus Grossart, managing director of Noble Grossart, non-executive chairman of Scottish Investment Trust, has become a director of GLOBE INVESTMENT TRUST.

★

Mr Leslie Simmens, managing director of Pedigree Petfoods, has been appointed president of the INCORPORATED SOCIETY OF BRITISH ADVERTISERS (ISBA) for the coming year. He succeeds **Mr Don McLure** of the Beecham Group, who becomes vice president.

★

Mr Reg Morgan, recently retired chief executive and town clerk of the Borough of Brighton, has joined the board of THE BRIGHTON MARINA as non-executive director.

★

Following the recent acquisition by EDGAR HAMILTON GROUP of the UK non-marine insurance business transacted by Paul Bradford and Co and related companies, **Mr J. D. Wylie** and **Mr D. L. Hughes** have joined the board of Edgar Hamilton. **Mr D. A. King** has joined the board of Edgar Hamilton and Wellard and also becomes a divisional director of Edgar Hamilton's non-marine division. **Mr C. D. Yates** becomes an assistant director of Edgar Hamilton.

Mr Peter Clark, managing director of C. H. Pearce and Sons (Contractors)

As part of a development programme at C. H. PEARCE CONSTRUCTION **Mr Peter Clark** has been appointed managing director of C. H. Pearce & Sons (Contractors). **Mr Tim Pearce** remains director of Pearce developments Ltd. **Mr Bernard Cripps** becomes executive chairman of C. H. Pearce & Sons (Contractors), while retaining his position as managing director of C. H. Pearce & Sons.

★

CREDITANSTALT has appointed five assistant general managers at its London branch. They are: **Mr Jim Cunningham**, assistant general manager — credit; **Mr Ray Cross**, assistant general manager — treasury; **Mr Patrick Chrimes**, assistant general manager — administration; **Mr Martin Hutchinson**, assistant general manager—financial arbitrage; and **Mr Paul Serfaty**, assistant general manager —corporate banking. **Mr Barrie Moore** has been appointed manager—UK and European marketing.

★

Following the completion of the acquisition by Abaco Investments of the Toplis and Harding Group, **Mr Robert Owen**, Toplis and Harding's chief executive, has joined the board of ABACO.

★

Mr J. A. C. Bonnett has become managing director of BROWN SHIPLEY LIFE & PENSIONS. He also joins **Mr Michael Cornwell** (who continues as deputy managing director of Brown Shipley Life & Pensions) on the board of Brown Shipley Insurance Services.

★

THE ROYAL TRUST CO OF CANADA, a wholly-owned subsidiary of Royal Trustco, has appointed **Mr John Lovesey** its managing director. **Mr Anthony Best**, currently managing director, is to take up an appointment as a managing director with Charterhouse Bank, a wholly-owned subsidiary of The Royal Bank of Scotland.

★

At ALLIED VINTNERS, the wines and spirits division of Allied-Lyons, **Mr David Beatty**, managing director of Harveys of Bristol, has been appointed chairman and chief executive. **Mr Phillip Davey**, managing director of Vine Products & Whiteways, becomes chairman and chief executive of that company and chairman of both Goldwell and Showerings.

Allied Breweries, the beer division of Allied-Lyons, has appointed **Mr David Cox** and **Mr Malcolm Wright** to the board. Mr Cox is managing director of Ind Coope Burton Brewery. Mr Wright has been head of the business development unit and becomes corporate director.

★

THE EQUIPMENT LEASING ASSOCIATION has appointed **Mr Alan Outten** as the new chairman of the association. Mr Outten is director, corporate development, of the Forward Trust Group. **Mr Derek Soper** has been appointed vice chairman.

★

Mr Ronald Aitken has been appointed chairman, non-executive, of MARTIN FORD, and **Mr Nicolas Wallis, Mr Irving Aronson, Mr Jeffrey Wallis, Mrs Marlene McAfee** and **Mr Edward Leighton** have been appointed directors.

★

C. T. BOWRING & CO has made the following appointments: at C. T. Bowring & Co (Insurance) **Mr B. G. Moore** been appointed a director; **Mr R. Pickup** and **Mr P. M. Williams** have been appointed executive directors and **Mr R. G. Moore, Mr H. R. Kerr-Smiley** and **Mr R. A. Jansen** have been appointed directors of Bowring Aviation: **Mr F. T. Brundage, Mr R. Follett, Mr R. D. E. Goodman, Mr J. M. Merrion, Mr P. H. de la Ferce, Mr T. P. Macfarlane, Mr T. C. Redmond** and **Mr J. Rooke** have been appointed directors of Bowring Marine & Energy Insurance Brokers. **Mr H. A. Barnes, Mr P. A. Cooper, Mr K. G. Fenwick, Mr L. R. Grant, Mr I. C. Haynes** and **Mr M. D. Reddie** have been appointed directors of Bowring Non-Marine Insurance Brokers.

★

Mr Arno Nash, chairman of AVX, has joined the board of CRYSTALATE HOLDINGS as a non-executive director. Prior to starting AVX operations in Europe, Mr Nash was president of General Instrument Europe.

★

Mr K. W. Ketteringham has been appointed managing director of CHESSMINSTER.

BUSINESS LAW

Relief for directors

By Leo Herzel

DELAWARE has just made what appears to be a dramatic statutory change in the law governing the liability of company directors. A new statute* which came into force on July 1, allows Delaware companies to excuse directors from liability for money damages for negligent injuries to their companies.

Since Delaware is the state in which most large public companies are incorporated, the new statute is likely to have a very important effect on US company law. One state, Indiana, pre-empted Delaware and made a similar change in its corporations statute from April 1 and many, though not all, states can be expected to follow.

The immediate cause for the enactment of the new Delaware statute is a sharp change, adverse to directors, in the market for director and officer (D and O) liability insurance. The main reason for this change in the insurance market appears to be a large increase in claims and amounts paid out under D and O liability insurance policies. Stockholder suits, encouraged by US laws and much more common there than in the UK, are one cause of the increase. The other is litigation associated with takeovers. The new Delaware statute is intended to repair partly the gap in coverage caused by the change in the D and O insurance market.

There are several manifestations of this change. D & O insurance has become much more expensive and difficult to obtain. Moreover, the amounts that insurers are willing to cover are being reduced. For those who can still obtain D & O insurance the coverage provided has been reduced by several important policy exclusions. One of these excludes liabilities arising out of resistance to a tender offer for the company's shares. Another excludes liabilities arising out of suits brought by the company itself and shareholders' derivative suits.

The deterioration in D & O insurance coverage is very important to directors for several reasons. In the US, a director cannot be indemnified by his company against liability for an injury (negligent or intentional) to the company. One of the important purposes of D & O insurance has been to provide directors with protection against liabilities and litigation expenses in cases involving allegations of injury to their companies. The new exclusions in D & O insurance policies remove this protection. Suits by third parties are less of a problem because they can usually be indemnified by the company.

Furthermore, for the first time in US legal history, directors of business companies (ie, not banks or other financial companies) are being held liable by the courts for negligent injuries to their companies. The case that has attracted the most attention so far is the Delaware Supreme Court decision in *Smith v Van Gorkom, 488 A2d 858 (Del 1985)* (see also this column June 5 1986), where directors were held grossly negligent and liable for large money damages in selling the company at a premium of approximately 50 per cent over the market price.

Directors of target companies were also held to have violated their duty of care to target companies in two recent takeover cases that involved injunctions, not money damages. *Hanson Trust PLC v SCM Corporation, CCH Fed Sec Law Reporter para 92,418 (CA-2 Jan 6, 1986)* and *Revlon Inc v MacAndrews & Forbes Holdings, Inc, CCH Fed Sec Law Reporter para 92,525 (Del S Ct Mar 13, 1986)*.

The main cause of this change in the attitude of courts appears to be the pressure of takeovers and takeover defences. Courts, particularly in Delaware, are overwhelmed by the number and complexity of these cases. Offence and defence in takeover cases have become bewilderingly ingenious and aggressive and the correct legal and economic analysis is not always apparent.

The recent decisions holding directors liable for violations of their duty of care to their companies can be explained by the courts' reluctance to pass judgment on the particular offensive or defensive technique involved. Moreover, a finding of a violation of the directors' duty of care is far less damaging to their reputation than a finding that the directors violated their duty of loyalty. And in injunction cases damages are not an issue.

The new Delaware statute covers only directors, not officers. The reason for this distinction was practical, not theoretical. Directors were the immediate problem, not officers. The coverage of the statute is limited to money damages and the right to equitable relief remains unchanged.

The new statute becomes operative only through a provision in the company's certificate of incorporation. Under Delaware law that requires approval of a majority of the voting stock unless the company's certificate of incorporation calls for something more. While there will probably be some complaints from institutional stockholders, it is unlikely that many companies will have difficulty in obtaining approval for an amendment to the certificate of incorporation to take advantage of the new statute. Institutional investors will probably vote for the changes since it does not suit them if able directors resign or become too cautious. Nor are they likely to want to repudiate a decision made by a successful management.

The closest precedent for what Delaware is doing is an English Chancery case *In re Brazilian Rubber Plantations and Estates, 9 Eng. Ch. 425 (1911)*. In that case the court dismissed a derivative claim against a corporate director because, among other things, the corporate charter exculpated the director from liability incurred in good faith. The court reasoned:

"The articles of the company provided . . . as follows: 'No director shall be liable . . . for any loss, damage, or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto, unless the same happens through his own dishonesty.' . . . this article is intended to relieve directors who act honestly from liability for damages occasioned even by their negligence, where such negligence is not dishonest. (It is not) illegal for a company to engage its directors upon such terms."

Otherwise, the most relevant precedent is trust law where the beneficiaries may exculpate trustees from liability for negligence.

One should not expect immediate dramatic changes from this statutory change alone. More will be required. For one thing, directors will still need D & O insurance protection when the company is insolvent and there are still some violations of the federal securities laws that may not be indemnifiable but can be insured against.

D & O insurers will have to be convinced that the risk of loss has really gone down before rates will drop. Courts will have to co-operate. If they shift from finding breaches of the duty of care to finding breaches of the duty of loyalty, nothing important will have been accomplished.

One drawback of any new legislation is that many of the consequences are difficult or impossible to predict. Societal interactions are too numerous and complex. One can only hope that all will go well with the new Delaware law, and if not, that changes will be made again as necessary. An advantage of Delaware as a state for incorporation has been its willingness to correct mistakes by statutory changes and court decisions.

** In the exact words of the statute, a Delaware company's certificate of incorporation may now contain, among other things: "(7) A provision eliminating or limiting the personal liability of a director to the corporation of its stockholders for monetary damages for breach of fiduciary duty as a director, provided that such provision shall not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under section 174 of this Title, or (iv) for any transaction from which the director derived an improper personal benefit. No such provision shall eliminate or limit the liability of a director for any act or omission occurring prior to the date when such provision becomes effective. All references in this subsection to a director shall also be deemed to refer to a member of the governing body of a corporation which is not authorised to issue capital stock."*

Mr Herzel is a partner in Mayer, Brown and Platt, a Chicago firm of attorneys.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or –	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§125	F.P.	24/7	166	136	‡Accord Publications 5p	166	+6	R3.1	2.6	2.6	21.0
[illegible]	F.P.	15/8	127	112	‡Airspring Group 10p	112	–6	5.4	2.8	6.8	7.4
150	F.P.	30/6	152	138	Alumasc Group	151	......	R5.85	2.5	5.5	10.4
115	F.P.	11/7	190	156	Arlington Sec. 10p	180	+3	b1.7	4.3	1.3	24.7
§67	F.P.	8/8	71	68	‡BBB Design Grp 5p	70	–1	L1.0	4.2	2.0	16.8
§145	F.P.	15/8	158	145	‡Bemarco 5p	152	......	u5.0	2.4	4.6	12.0
[illegible]	F.P.	—	53	41	Bertrams Inv. Tst	43	+2	—	—	—	—
§37½	F.P.	25/7	43½	38	‡Bipel 5p	43	+1	R1.225	3.1	4.0	10.8
147	F.P.	4/7	147	130	Blick 5p	142	......	R3.4	3.1	3.4	13.5
125	F.P.	8/8	147	128	‡Borland Intl. Inc.	133	–5	u02c	1.4	1.0	18.6
145	F.P.	25/7	175	148	Bredero Props	150	......	R4.25	2.3	4.0	12.7
§60	F.P.	20/6	61½	54	‡Brit. Isl. Airways 10p	55	–3	bd2.82	2.1	7.2	7.7
§63	F.P.	6/8	66	61½	‡Canontech 10p	66	......	R2.0	2.4	4.3	13.5
§110	F.P.	18/7	115	85	‡C'Ball & Armstrong 5p	85	–1	d3.91	1.9	6.5	10.8
§125	F.P.	7/8	135	130	‡Chelsea Man 5p	130	......	12.2	2.8	2.4	21.4
[illegible]	F.P.	18/7	110	85	Clarkson (Horace)	107	......	L4.75	1.5	6.3	14.7
[illegible]	F.P.	—	100	68	Clayform Warrants	68	......	—	—	—	—
§84	F.P.	1/8	91	84	‡Coated Electrodes 5p	85	......	u3.9	1.6	6.5	13.3
§58	F.P.	4/7	70	59	Densitron Intl 5p	70	......	u1.65	2.1	3.3	17.9
§85	F.P.	6/8	92	82	‡Ford & Weston 5p	89	+2	R3.02	2.6	4.8	11.3
150	F.P.	25/7	155	150	Guthrie Corp	154	......	u5.3	2.2	4.8	9.9
140	F.P.	20/6	150	140	Haggas (John) 10p	140	......	u3.0	3.2	3.0	14.5
§85	F.P.	24/7	112	90	‡Hodgson Hldgs 5p	110	......	R2.13	2.3	2.7	20.0
R30	Nil	—	325	210	Joel (H.J.) Ltd Units	210	–30	—	—	—	—
§154	F.P.	—	159	158	Kleinwort Dev. Fnd	158	–1	—	—	—	—
100	F.P.	—	90	85	‡M6 Cash & Carry	90	......	u3.55	2.1	5.6	10.0
157	F.P.	26/6	158	145	‡Monotype Corpn 10p	155	......	R4.4	1.6	4.0	15.4
§500	F.P.	—	516	452	Morgan Grenfell £1	452	–3	L8.5	—	2.7	—
§113	F.P.	—	114	114	St. David's Inv. Tst. Inc.	114	......	H68	—	8.4	—
§75	F.P.	—	77	76	Do Cap.	77	+1	—	—	—	—
§100	F.P.	27/6	121	103	‡Savage Group 20p	115	–2	R3.0	2.5	3.7	15.2
§72	F.P.	15/8	160	99	‡Shield Group 5p	155	+37	L2.0	3.1	1.8	22.6
	F.P.	1/8	184	171	‡Smallbone 10p	172	–1	u5.0	2.1	4.1	16.1
—	F.P.	—	55	43	Smith Newcourt War'ts	52	......	—	—	—	—
§40	F.P.	31/7	42	35	‡Soundtracs 5p	39	......	61.2	2.8	4.3	11.6
§98	F.P.	6/8	106	98	‡Space Planning 10p	101	......	R1.8	3.4	2.5	16.4
§95	F.P.	25/7	114	104	‡Task Force 5p	114	......	R1.78	3.8	2.2	16.9
112	F.P.	8/8	130	116	Tesby 50p	130	......	u4.0	2.6	4.3	10.1
190	F.P.	1/8	242	219	Thames TV	223	–1	49.5	1.9	6.0	12.5
120	F.P.	6/8	125	100	Tibbet & Britten 5p	120	......	R3.5	2.6	4.1	13.4
§63	F.P.	—	68	67	Unilock 20p	67	......	1.98	2.7	4.2	12.7
£12.70	Nil	—	260	210	Wight Collins RS ‡‡	235	......	—	—	—	—

FIXED INTEREST STOCKS

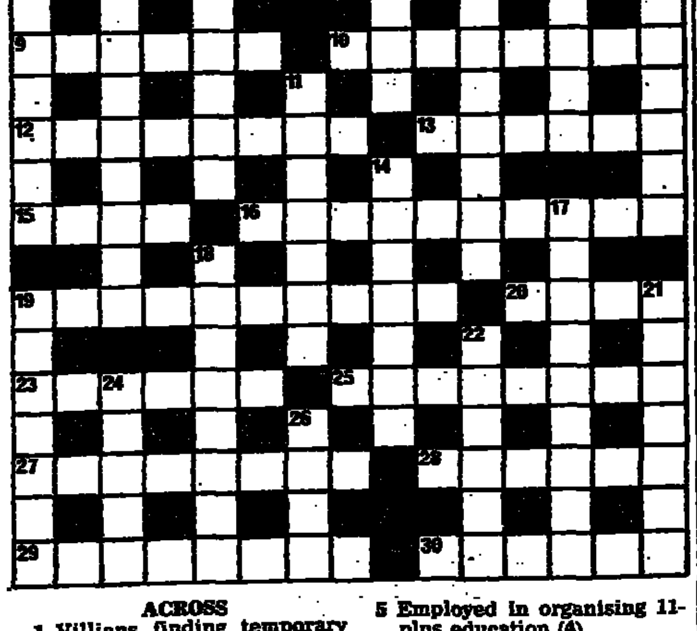
[illegible]

"RIGHTS" OFFERS

[illegible]

FT CROSSWORD PUZZLE No. 6075

VIXEN



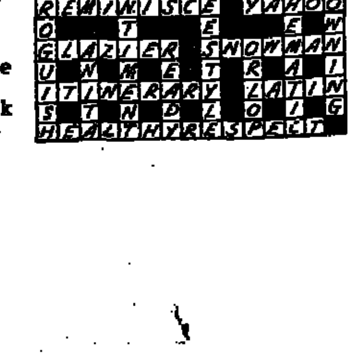
ACROSS

1 Villians finding temporary shelter in a ship (6)
4 Stop by a substandard building (8)
9 Well wrapped up against the cold, so didn't hurry (6)
10 Mare squirming in discomfort—an apple's responsible (8)
12 "Were man but ... were perfect." Shakespeare (Two Gentlemen of Verona) (8)
13 Heartless people lay a little money (6)
15 Come a cropper, but end about right (4)
16 Look like going around for get together again (10)
19 Troops giving their names wrongly (3, 7)
20 The probability of advantage (4)
23 Be a flier and be off! (4, 2)
25 Getting very heated in a wet sort of way (8)
27 Assembly point—nicer to change this (8)
28 Rook when on the board (6)
29 Minor French, German, and English articles for example returned (5, 3)
30 Kind of food and exercise taken by eccentric aunt (6)

DOWN

1 Petition—very proper (7)
2 Nine great characters made this country (9)
3 RAF officer accepting break with all speed (6)
5 Employed in organising 11-plus education (4)
6 A down-to-earth man getting colourful results (8)
7 Don't take time off (5)
8 Town worker dividing earnings (7)
11 Succeed—in their fashion (7)
14 Intrinsic feature of European city church (7)
17 It's quite reprehensible to make money on a game (9)
18 Care isn't exercised in such a case (8)
19 The board needs gold to set the scene (7)
21 Recommend intimate (7)
22 Split about 7 down (6)
24 A large number aim to effect some reform (5)
26 Taking issue over a note, lied (4)

Solution to Puzzle No. 6,074



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

AUTHORISED UNIT TRUSTS & INSURANCES

Wardley Unit Trust Managers Ltd (a)
Wardley House, 7 Devonshire Sq, EC2 01-929 1532

American Tst.	62.3	67.0xd	-3.0	1.8
Far East & Gn. Tst.	99.0	105.4	-0.2	1.0
Intl. Growth Tst.	66.6	70.9xd	-1.5	0.8
Income Tst.	83.6	89.9	-0.1	5.6
Japan Growth Tst.	117.9	126.8	-1.7	0.2
Small Cos. Tst.	113.0	121.6	-0.6	2.0
Tchnlgy Tst.	32.2	34.6	-0.6	0.2
Australia Trust	36.4	39.1	-0.3	1.9
UK Trust	128.5	136.7	-0.1	2.7
European Growth Tst.	47.9	51.0xd	-0.6	1.2
Hong Kong Tst.	20.9	22.2	-0.1	1.6

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	15.3	16.3	-0.1	0.15
Pacific Basin	13.2	14.1	-0.1	0.2
Canadian Balncd Grwth	58.6	62.6	-1.0	0.98
Ginnie Mae	101.1	105.3	-0.4	7.3

WestAvon Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol BS2 8SS 0272 428431

British Smllr Co's (z)	57.1	58.7	+0.1	1.00
British Growth (z)	66.1	68.0	-0.1	1.50
British Income (z)	64.1	66.8	-0.3	4.50
British Extra Yield(z)	50.4	51.8xd	+0.3	6.50

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dtd Gilt Fd	67.4	68.5	+0.1	0.00
U.S. Gommt Bond F	50.506	0.508		—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Capital & Equity Tst	48.3	51.4		7.72
Growth Trust	51.6	54.9		2.21
Income Trust	53.3	56.8	+0.1	5.16

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth Fund	67.7	71.2xd		2.95

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	121.0	128.8xd	-0.1	3.54

INSURANCES

Cannon Assurance Ltd—Continued

Index	110.9	117.4		—
Far East	176.2	186.5	-6.2	—
Global	94.1	99.6	-1.2	—
European	97.4	103.1	-0.3	—
Japan	109.4	115.8	+3.0	—
2nd Series Pension Accumulation				
Equity	487.0	515.5	+2.7	—
High Income	319.7	338.3	-2.3	—
Property	280.8	297.1	+3.3	—
Managed	336.1	354.6	-2.0	—
Deposit	250.1	264.7	+0.5	—
Gilt	252.5	267.2	+0.6	—
American	372.1	393.8	-10.8	—
International Money	266.1	281.6	-1.3	—
Index	121.3	128.4		—
Far East	191.3	202.4	+0.1	—
Global	94.1	99.6	-1.1	—
European	98.2	103.9	-0.4	—
Japan	113.3	119.9	+3.8	—
Other Funds				
Equity Units		66.17		—
Property Units		21.32		—
Equity Bond/Exec	41.36	43.77	-0.19	—
Property Bond/Exec	28.75	30.42	+0.32	—
Balanced Bond/Exec	33.15	35.08	-0.18	—
L&E SIF 1	108.5	115.0	-0.5	—
L&E SIF 2	71.0	75.5		—

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory & Sime Bond	103.0	109.0		—
Risk & Reward Bond	115.0	122.0		—
Murray Johnstone Fd	117.0	124.0		—
Money Market Fd	100.0	106.0		—
Ivory & Sime Pens Fd.	99.0	105.0		—
Risk & Reward Pens Fd.	97.0	103.0		—
Murray J'stone Pens Fd.	115.0	121.0		—
Money Market Pens Fd	100.0	106.0		—

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent. Milton Keynes MK9 2LA Tel: 0908 606101/660888

Current Series				
Property Fund	113.9	119.9		—
Money Fund	219.4	231.0	-0.1	—
Managed Fund	404.3	425.6		—
Equity Fund	254.1	267.5		—
Fixed Interest Fund	147.9	155.7		—
Far East Fund	197.5	207.9		—
North American Fund	185.2	195.0		—
Natural Resources Fund	128.1	134.9		—
S U N Flag Fund	118.7	125.0		—
Pension Managed Fund	380.8	400.9		—
Pension Equity Fund	242.5	255.3		—

INSURANCE, OVERSEAS & MONEY FUNDS

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$17.76		+0.05	—

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	16.12		-0.09	—

Inv. Adv: M. & G. Inv. Mngt. Ltd, London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$18.14		+0.06	—
Dynamic Gwth Fd	$19.35		+0.13	—

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268

Zero Bond Fund	$11.90	12.60	+0.11	—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	9.60		-0.10	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	9.64	7.21	10.50	6mth
7-day Fnd	9.54	7.13	10.39	6mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	9.65	7.21	10.34	6-Mth
7-day Fund	9.83	7.35	10.55	6-Mth
Dollar	5.50	—	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Cur Acc	9.25	6.89	9.82	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	9.25	6.91	9.59	Qtr
Mkt Int. Chq.	9.25	6.91	10.04	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-283 9111				
High Int. Cheque Acc	10.125	7.57	11.04	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	9.45	7.06	10.28	Mth
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc	9.00	6.73	9.77	Mth
Over £10,000	9.25	6.91	10.04	Mth
Western Trust & Savings Limited The Moneycentre, Plymouth PL1 5E 0752 24141				
High Int Chq Acc	10.18	7.60	11.08	Qtr
Wimbledon & South West Finance Co Ltd 114 Newgate St, London EC1A 7AE. 01-606 9485				
High Int Cheque Acc	11.00	8.22	....	Qtr.

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	28	Marks & Spencer	28
BAT	38	Midland Bk	44
BOC Grp	32	NEI	11
BSR	14	Nat West Bk	78
BTR	45	P & O Dfd	45
Babcock	20	Plessey	20
Barclays	45	Polly Peck	16
Beecham	32	Racal Elect	17
Blue Circle	55	RHM	20
Boots	26	Rank Org Ord	48
Bowaters	30	Reed Intnl	75
Brit Aerospace	48	Sears	12
Brit. Telecom	17	TI	42
Brown (J.)	3	Tesco	30
Burton Ord	32	Thorn EMI	35
Cadburys	17	Trust Houses	12
Charter Cons	22	Turner Newall	18
Comm Union	28	Unilever	120
Courtaulds	26	Vickers	40
Distillers	52	Wellcome	19
FNFC	15	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs	30
Glaxo	100	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	75	Samuel Props	18
Guardian	75	**Oils**	
GKN	32	Brist. Oil & Min	2½
Hanson Tst	16	Brit Petroleum	48
Hawker Sidd	52	Burmah Oil	30
ICI	50	Charterhall	3
'Imps'	28	Premier	3½
Jaguar	27	Shell	55
Ladbroke	32	Tricentrol	15
Legal & Gen	70	Ultramar	18
Lex Service	38	**Mines**	
Lloyds Bank	55	Cons Gold	40
Lucas Inds	60	Lonrho	25
		Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Angola in struggle to save its ailing diamond industry

BY TONY HODGES, RECENTLY IN LUANDA

THE ANGOLAN Government is proposing to liquidate the Companhia de Diamantes de Angola (Diamang), the diamond mining company in which it has a 77.2 per cent shareholding, as part of a sweeping reorganisation of the country's troubled diamond industry. Mr Henrique de Carvalho Santos, the Industry Minister, said the proposal would be put to the company's foreign shareholders, which include the Société Générale de Belgique (12 per cent) and Sibeka (6 per cent), at a board meeting in Luanda today.

Founded in 1917, Diamang was one of the largest producers of gem diamonds in the world before Angola's independence in 1975. In the early 1970s it was producing over 2m carats a year, 90 per cent of gem quality. By last year, however, output was down to 714,000 carats.

Over the past three years the company has been beset by Unita guerrilla attacks on its dispersed mining centres in the remote north-eastern province of Lunda Norte, the kidnapping of scores of foreign technicians, the disruption of overland transport to the mines from the coast, and rampant diamond theft and smuggling.

It was in February 1984 that Unita first struck at the industry. A force of several hundred guerrillas invaded the mining centre of Cafunfo in Cuango, the richest of Diamang's three divisions, and seized 62 expatriates.

The Cuango division has been closed ever since. The other two divisions, Andrada and Lucapa, have struggled on, though Andrada was the target of Unita's latest and most sensational attack, on March 1 this year. Over 180 foreigners were kidnapped on that occasion and taken across the nearby border in Zaire.

Unita is not just a threat to the scattered mining centres. The 750-mile road from the coast to Lunda Norte is prone to ambushes and mines, and convoys of trucks now take about three weeks to make the journey under military escort.

Despite the enormous cost, Diamang has been forced to rely on air transport to shift mine equipment, spare parts, fuel and consumer goods to the mining areas.

Unita is not the only problem, however. It is estimated that as much as half of Diamang's production is being stolen. Diamond theft is a means of survival in Lunda Norte, and even the diamond industry's special police force, the DSD, is alleged to be involved in trafficking. Consumer goods are in such short supply that diamonds are bartered for food, beer and clothes brought across the border by Zairean smugglers.

The upshot of all this has been a precipitous decline in both the volume of Diamang's production and the average carat value of its sales, from $158 per carat in 1980 to $46 per carat in 1985.

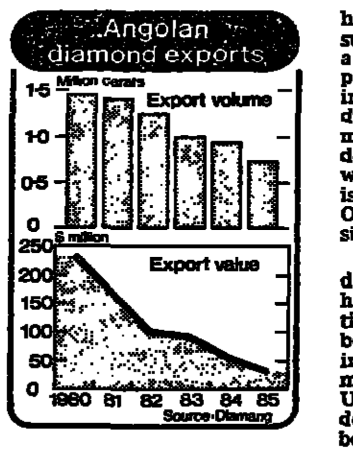
Mr de Carvalho Santos claimed that De Beers' Central Selling Organisation (CSO), which until December had an exclusive marketing contract with Diamang, "devalued" Angola's output. De Beers officials, by contrast, ascribe the fall in value to the closure of the rich Cuango division and the theft of the best stones.

Whatever the truth, the combined falls in the volume of production and average carat value have been devastating for diamond export revenue, which fell by 72 per cent between 1980 and 1985, to a mere $31.9m last year, when they contributed only 1.6 per cent of total export earnings of $2bn.

Since then the crisis has deepened. At the end of December a mine management contract held by De Beers' Mining and Technical Services (MATS) expired, along with the CSO's marketing contract.

In the first quarter of 1986, diamond production fell to only 69,139 carats. Annualised this is less than half the 600,000 carat target in the Government's 1986 national plan. Meanwhile, no diamonds are being marketed, leaving Diamang without revenue, while its costs are running at $3.4m a month to cover the wages of 17,000 workers and pay for the air shuttle service from the coast. Diamang is now heavily in debt to the central bank.

The Government is determined, however, to avoid closing down the diamond industry. It is desperate to reduce reliance on oil, which now accounts for over 95 per cent of exports, and, since half the population of Lunda Norte depends directly on Diamang for its livelihood, the fate of the industry has profound social and security implications in a region in which Unita forces are thick on the ground.



According to Mr de Carvalho Santos, the diamond industry is to be reorganised on completely new lines after Diamang's dissolution. The diamond rich areas are to be divided into blocks, which will be contracted to foreign companies under production sharing agreements (PSAs).

The new approach is based on that employed successfully in the oil industry, where PSAs oblige the foreign operator companies to take on the full risk of exploration, raise their own finance and recoup their investment from subsequent production.

Diamang's foreign shareholders are to be invited to negotiate a PSA. "If they do not wish to do so, there are others who are interested," Mr de Carvalho Santos claimed, citing RST International, the Minerals, Metals and Trading Corporation of India and Lonrho. He wants the contractor companies to make their own marketing arrangements for their share of production, and is anxious to avoid giving the CSO an exclusive contract for the marketing of the Government's share.

To date, detailed negotiations have begun only with RST, a subsidiary of ITM International, a privately owned holding company. RST, which has interests in the Zambian mining industry, is hoping to start mining the rich alluvial deposits in the Cafunfo area, where a rehabilitation project is due to be completed in October by another ITM subsidiary, Intraco Corporation.

The long term future of the diamond mining industry hinges, however, on a resumption of prospecting, which has been at a virtual standstill since independence, and on investment in kimberlite mining. Until now, only the alluvial deposits in Lunda Norte have been exploited.

There are at least six known diamond bearing kimberlite ore deposits with good prospects. Developing one or more of them would probably require at least $500m investment, and even in the best of circumstances production would not begin until the early 1990s.

De Beers has proposed to undertake detailed studies of the kimberlites, but it is reluctant to finance the full costs of exploration and development under a PSA, as the Government is now requiring. RST is equally unhappy with the Government's new philosophy and has rejected the PSA terms proposed for the resumption of mining at Cafunfo.

The fate of the industry now hangs on the Government reaching a satisfactory arrangement with foreign partners. If this continues to prove elusive, the industry risks complete collapse.

Tony Hodges is Africa editor at the Economist Intelligence Unit.

Australian mine dispute goes back to court

By Patricia Newby in Melbourne

THE INDUSTRIAL dispute which has closed the Broken Hill lead, zinc and silver mines for eight weeks returns to court in Sydney today after the failure of efforts to reach agreement.

Ten days ago the full bench of the New South Wales Industrial Commission ordered the parties to negotiate on the reopening of the mines.

The unions, led by their industrial body, the Barrier Industrial Council, had already made a substantial concession by moderating their previously implacable opposition to night shifts.

However, the union's suggestions for a resolution of the dispute fell short of the interim award brought down in May by the Industrial Commission. This would have enabled the mines to operate 21 shifts a week including night shift in more parts of the mine than the workers are prepared to allow.

The companies involved, the CRA subsidiary Australian Mining and Smelting and North Broken Hill, made a counter offer which was not made public.

The unions have rejected the counter offer, so the matter goes back to the Industrial Commission.

Brazil's farm output hit by drought

BY IVO DAWNAY IN RIO DE JANEIRO

BRAZIL LOOKS set to suffer a 7 per cent fall in agricultural output this year, according to the National Statistical Office.

The bulk of the fall in production, estimated at 11.4 per cent, will come in the crops sector, while meat and animal products' output are expected to rise by some 1.5 per cent.

However, even this increase is dependent on the Government taking steps to encourage greater production, such as the establishment of milk subsidies. If it does not, the Brazilian Institute of Geography and Statistics (IBGE) argues, a further decline in output can be predicted by the year-end.

According to the latest research, land under cultivation has increased by some 3.5 per cent. But this is not sufficient to make up the shortfall on last year's exceptional harvest.

Many products will, however, register increases. Rice production is expected up by 15.6 per cent, second harvest potatoes up 5.9 per cent, sugar cane up 2.9 per cent, and Feijao beans up 24.1 per cent.

Droughts in the central and southern regions have hit crops of several other products, with cotton expecting an 18.7 per cent fall and soyabeans registering a decline of as much as 27.3 per cent. Many vegetable crops have also been badly hit, and egg production may be down almost 37 per cent.

Brazil is likely to be back in the market for EEC beef next month after successfully completing a purchase of 100,000 tonnes last week, writes Tim Dickson in Brussels.

Traders acting for the Brazilian Government bought the meat at an average "ex store" price of Ecu 430 per 100 kg which represents a substantial discount on the terms of the deal negotiated by the US with the same customer earlier this year. The EEC beef will be despatched as soon as possible and will come from France, Italy and West Germany.

Brazil is known to be seeking yet further supplies to meet a sudden shortage in domestic production and to keep up the momentum of its tough anti-inflation programme. A new EEC tender "bone in" beef will be held in mid-August when Brazil could be interested in anything between 30,000 tonnes and 60,000 tonnes.

The EEC meanwhile is a willing seller in view of the 700,000 tonnes piled up in Community stores at the last count.

Indian tea production down sharply

By P. C. Mahanti in Calcutta

INDIA'S TEA production has dipped sharply over the first five months of this year, according to figures issued by the Tea Board. At 132.5m kilos up to end May production was 35.14m kilos behind last year's. It is believed the shortfall remained practically unchanged during June.

With production declines in Sri Lanka, Bangladesh and African countries the world crop as a whole was trailing behind last year's figure by 45m kilos at the end of May, traders reported.

Indian tea export figures relating to early months of the year (January to April) show a fall of 10m kilos at 46.08m kilos. Export earnings were down at Rs 1.27bn (£67m) compared with Rs 2.07bn in last year's corresponding period.

Auction prices have reflected this outlook with averages falling at all auction centres in India. At Calcutta the average for January to May came down to Rs 22.46 a kilo compared with Rs 27.55 a kilo in the same period in 1985.

The EEC's farm budget time bomb

BY TIM DICKSON IN BRUSSELS

IF EEC farm spending is best described as a time bomb ticking away under the Community, the time-honoured technique of adjusting the clock mechanism has just been successfully accomplished.

Now that the dust has settled after last week's battle in Strasbourg over the 1986 budget, the consensus in Brussels is that the amount allocated for agriculture — Ecu 22.112bn out of a total Ecu 35.16bn — is just about enough given some judicious juggling of the figures to maintain farm programmes during the current year. Inevitably, however, trouble is being stored up for 1987.

Agricultural spending — besides being weighed down by the expensive systems of price support which have contributed to the vast food "mountains" — is complicated by a number of imponderables, the most important of which is the value of the US dollar against the Ecu. This relationship is important since world agricultural prices are denominated in dollars — any significant depreciation in the American currency therefore increases the cost of the Community's export subsidies (or "restitutions") and adds a possibly unforeseen burden to the EEC budget.

It is estimated in Brussels that a 10 per cent fall in the value of the dollar can add an extra Ecu 800m to Community farm spending — a point which Commission officials will no doubt be conscious of as they prepare the ground this month for negotiations over the 1987 budget. It is a sign of the pressures building up that the Ecu 22.9606bn of agricultural spending for next year implied by the Commission's financial guidelines has been drawn up on the basis of a projected $1.10 to the Ecu, compared with the present rate of $1.03.

The fall in the dollar during the first half of this year indeed had forced Commission officials to re-do their sums well before the European Court ruled at the beginning of this month that last December's budget for 1986 was illegal, thereby precipitating last week's crisis in the European Parliament. The Commission was well aware that the Ecu 21.012bn for the Common Agricultural Policy (CAP) "Guarantee" section adopted by the European Parliament last December would be insufficient to meet requirements (which are "compulsory") and had indicated a likely need for further spending on agriculture of Ecu 1.4bn.

This was to have been raised in the form of a supplementary budget for 1986 but as a result of the renewed negotiations on this year's spending it was effectively subsumed into one new all-encompassing proposal. That provided a further Ecu 915m of the Ecu 1.4bn originally envisaged, a total to which the Council of Ministers subsequently added another Ecu 180m or so in the revised draft which they presented to the Parliament at Strasbourg.

After further revisions the Commission now reckons that it is only Ecu 215m (or 1 per cent) short of the amount needed for the current year, a sum which will be carried over in 1987 and which can be "lost" by deferring Community payments to member states for a few weeks. Although Commission officials admit that the figure is bound to be an estimate at this stage, they are nevertheless confident that it will not be far off course. Only a dramatic fall in the dollar at this stage would upset their calculations.

Other savings have been made by the Commission to keep within, or close to, budget. Sales of butter from intervention in 1986, for example, have been lower than expected which whilst reducing the short term pressures on the EEC Budget builds up problems for the longer term by increasing food stocks. (Tuesday's decision by EEC Farm Ministers in Brussels to refer back to experts a Commission plan to divert cheap butter to the unemployed and others on social security is a case in point).

The Commission earlier this year also reduced from 100 to 75 per cent the proportion of the real storage costs reimbursed to member states and cut from 8 to 7 per cent the rate of interest paid on capital used by private and public buyers of stocks.

Payments to Spain and Portugal, meanwhile, have been slower than anticipated and less money than budgeted has been spent on the milk superlevy and the cereals co-responsibility levy.

None of this, however, will be much comfort to those in Brussels who have to make next year's figures add up. The big problem remains the record food surpluses and the lack of real political will—evidenced this week by Ministers' repetition of earlier arguments against Commission proposals to abolish the beef intervention scheme—to do anything serious to curtail them. As one official put it yesterday, "The time bomb is ticking away. When you put beef and butter in storage they lose some of their value immediately. But we only pay the full costs when we actually sell them."

LONDON MARKETS

COCOA prices fell back on the London futures market yesterday in spite of news from Geneva that consumers and producers had succeeded in renegotiating the price stabilising International Cocoa Agreement, an outcome which seemed only a faint possibility before the current round of talks started at the beginning of last week. The September position finished at £1,364.50 a tonne, losing £20 of the £92 it had gained since the talks started. Yesterday's fall was influenced by profit taking as speculators who had bought in response to the better-than-expected news coming from Geneva, took their profits—a classic case of "buy on the rumour, sell on the news."

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	728.5-8.5	—7.5	729/726.5
3 months	744.5-4	—8.75	752/741

Official closing (am): Cash 729-9.5 (734.5-5.5), three months 745-5.5 (750.5-1.5), settlement 729.5 (735.5). Final Kerb close: 740.5-41.
Turnover: 16,900 tonnes.

COPPER

Grade A	Unoffic'l close	+ or —	High/low
Cash	882-3	—2	881/880.5
3 months	902-2.5	—2	902.5/899

Official closing (am): Cash 880.5-1 (883-3.5), three months 899.5-900 (902-3), settlement 881 (883.5). Final Kerb close: 898-8.5.

Standard			
Cash	844-6	+.5	843/841
3 months	869-71	—	868/865

Official closing (am): Cash 842-3 (840-2), three months 866.8 (864-6), settlement 843 (842).
US producer prices 63-67 cents per pound.
Total turnover: 46,400 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	248-8.5	—	248/247.5
3 months	254-4.5	—	255/253

Official closing (am): Cash 247.5-8 (249-9.5), three months 253-3.5 (255-5.5), settlement 248 (249.5). Final Kerb close: 254.5-5.
Turnover: 8,775 tonnes. US Spot: 21-24 cents per pound.

NICKEL

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	2580-90	—47	2615/2610
3 months	2640-5	—34.5	2670/2646

Official closing (am): Cash 2605-10 (2605-15), three months 2670-1 (2655-7), settlement 2610 (2615). Final Kerb close: 2630-35.
Turnover: 1,104 tonnes.

TIN

KUALA LUMPUR TIN MARKET: Close 14.22 (14.19) ringgit per kg. Up 0.03 ringgit per kg.

ZINC

High grade	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	546-7	+4	548/544
3 months	540-1	—	542/538

Official closing (am): Cash 548-9 (549-9.5), three months 539-40 (546-7), settlement 549 (549.5). Final Kerb close: 538-9.
Turnover: 11,700 tonnes. US Prime Western: 41.50-44.75 cents per pound.

GOLD

Gold rose $½ to $347-347½ on the London bullion market yesterday. It opened at $349-349½, and touched a peak of $349½-350, reflecting the decline in the value of the dollar. Underlying sentiment was generally bearish however, and the metal retreated to finish at the day's low. It was fixed at $348.35 in the morning and £347.60 in the afternoon.

GOLD BULLION (fine ounce)	July 15	
Close	$347-347½	(£230-230½)
Opening	$349-349½	(£231½-232)
M'n'g fix	$348.35	(£230.894)
Aft'n'n fix	$347.60	(£230.046)

GOLD AND PLATINUM COINS		
Kr'g'r'nd	$348-350	(£229¾-231¼)
½ Krug.	$181¾-185	(£120-121)
¼ Krug.	$92½-93½	(£61-61¾)
1/10 Krug.	$37½-38¼	(£24¾-25¼)
Mapleleaf	$356¼-359¼	(£235¼-237¼)
Angel	$356½-358½	(£234¾-236¾)
1/10 Angel	$36-39	(£23¾-25¾)
New Sov.	$83-85	(£54¾-56)
Old Sov.	$86½-88	(£57-58)
$20 Eagle	$410-460	(£270¾-303¾)
NoblePlat	$452¼-457¾	(£299-302¼)

SILVER

Silver was fixed 0.45p an ounce lower for spot delivery in the London bullion market yesterday at 336.1p. US cent equivalents of the fixing levels were: spot 508.5c, up 5.5c; three-month 516.25c, up 5.45c; six-month 524.4c, up 5.7c; and 12-month 541c, up 5.8c. The metal opened at 338½-340p (510-512c) and closed at 336½-337p (506-508c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
spot	336.10p	—0.45	333p	—4.5
3 months	343.95p	—0.85	346.5p	—5
6 months	352.20p	—0.65	—	—
12 months	368.15p	—0.80	—	—

LME—Turnover: 6 (21) lots of 10,000 ounces.
Three months high 343p, low 342p, final kerb 341-3p.

MEAT

Pig prices opened higher but met profit-taking. Cattle prices closed slightly lower due to hedge selling interest but without trading, reports Eastern Capital CCST.

	LIVE CATTLE		LIVE PIGS	
Month	Y'day's close	+ or —	Y'day's close	+ or —
Aug	97.50	—0.50	97.50	—1.00
Sept	98.30	—0.70	—	—
Oct	98.80	—0.20	103.60	+0.60
Nov	100.00	+0.50	104.80	+0.30
Jan	99.50	+0.50	—	—
Feb	99.50	—0.50	101.50	+2.00

Cattle sales: 0 (10) lots of 5,000 kg.
Pig sales: 5 (10) lots of 3,250 kg.
MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 96.68p per kg lw (—0.92). GB—Sheep 178.35p per kg est dcw (+0.77). GB—Pigs 74.00p per kg lw (—0.68). GB—AAPP 97.25p per kg dw (—1.42).

INDICES

REUTERS

July 15	July 14	M'th ago	Year ago
1419.8	1414.8	1535.9	1696.6

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	July 15	July 14	Month ago	Year ago
Spot	123.65	124.79	—	116.75
Fut.	114.12	112.84	—	117.63

(Base: December 31 1931 = 100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	July 16 1986	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1180/210		$1255/275
Copper			
Cash Grade A	£882.5	—2	£950.5
3 mths	£902.25	—2	£956.5
Gold Troy oz	$347.25	+0.5	$339.25
Lead Cash	£248.25		£261.5
3 mths	£254.25		£263.25
Nickel			
Free Mkt	178/199c	+2	185/206c
Palladium oz	*$112.30*	*+0.30*	*$110.70*
Platinum oz	$439.15	+3.85	$434.75
Quicksilver †	$190/200		$210/220
Silver troy oz	336.10p	—0.45	337.70p
3 months	343.95p	—0.85	345.60p
Tin			
free mkt	£3800/620	—20	£3600/38
Tungsten	$64.42		$58.73
Wolfram 22.0lb	$42/50		$42/50
Zinc	£546.5	+4	£542
3 months	£540.5		£544.75
producers	$840		$840
OILS			
Coconut (Phil)	$250y		$266.5
Palm Malayan	$235x		$247.5
Copra Phil	$145y		$160
Soyabean (U.S.)	$158.5y	+1	$152
GRAINS			
Barley Fut. Nov.	£102.60		£97.85
Maize	£135		£134.50
Wheat Fut Nov.	£102.80		£99.05
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Sept	£1364.5	—20	£1285.5
Coffee Ft. Sept	£1891.5	—17.5	£1857.5
Cotton A Ind.*	37.65c	—0.05	41.00c
Gas Oil Sept.	$98.5	+0.5	$115.5
Rubber(kilo)	59p	+0.75	57.5p
Sugar (raw)	$126.5w	—3.5	$152.5
Wooltops 64s	482p kilo		415p kilo

‡ Unquoted. † Per 75 lb flask. c Cents per pound. y July-Aug. z Aug. w Aug-Sept. x Oct. * Cotton Outlook.

COCOA

Futures traded in a subdued fashion for most of the day before rumours towards the close regarding a successful outcome to the cocoa talks caused sharp losses. Origins were withdrawn but manufacturer interest was noted, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or —	Business Done
July	1330-1335	—23.5	1360-1327
Sept.	1364-1365	—20.0	1390-1357
Dec.	1406-1407	—23.5	1438-1408
March	1435-1436	—27.5	1460-1435
May	1452-1455	—26.5	1475-1450
July	1467-1470	—28.5	1485-1460
Sept	1485-1490	—21.0	1500-1480

Sales: 3,489 (4,409) lots of 10 tonnes.
ICCO indicator prices (US cents per pound). Daily price for July 15: 91.75 (90.27); five-day average for July 16: 90.00 (89.48).

COFFEE

Renewed commission house buying was evident as prices held within a fairly narrow range, reports Drexel Burnham Lambert. Physical interest appeared limited as the market drifted lower in early trading. The commission house buying appeared in early afternoon to hold levels.

COFFEE	Yesterday Close	+ or —	Business Done
July	1872-1875	—16.5	1885-1860
Sept.	1891-1892	—17.5	1910-1865
Nov.	1920-1922	—26.5	1945-1895
Jan	1956-1958	—35.5	1975-1935
Mar.	1985-1990	—7.5	2004-1970
May	2008-2014	—4.0	2017-2010
July	2020-2025	—32.5	2015

Sales: 4,966 (8,425) lots of 5 tonnes.
ICO indicator prices (US cents per pound) for July 15: Comp daily 1979 152.74 (149.05); 15-day average 142.12 (142.20).

SOYABEAN MEAL

	Y'sterd'ys close £ per tonne	+ or —	Business Done
August	125.4-125.6	+0.25	125.8
October	125.5-126.8	+0.90	—
Dec.	126.0-126.2	+1.35	128.2-125.8
Feb.	128.0-129.0	+0.75	—
Apr.	129.2-130.8	+1.10	—
June	128.8-129.0	+1.50	—
August	128.0-129.8	+1.80	125.0

Sales: 87 (152) lots of 20 tonnes.

GRAINS

New crop wheat was influenced by shipper support against switch trade selling of barley. This trend continued throughout the day after early hedge selling pressure, closing with keen trade buying interest, reports T. G. Roddick.

	WHEAT		BARLEY	
Mnth	Yesterday's close	+ or —	Yest'rdy's close	+ or —
Sept.	99.75	—	99.30	+0.15
Nov.	102.80	—	102.60	—
Jan	105.95	+0.05	105.80	+0.05
Mar.	108.50	+0.05	108.20	+0.05
May	110.85	+0.25	109.65	+0.05

LONDON GRAINS—Wheat: US Dark Northern Spring No. 1, 15 per cent: Aug 93.75, Sept 93.25, Oct 94.75, Nov 97.00 sellers, transhipment East Coast. US No. 2 Soft Red Winter: Aug 90.00, Sept 90.75, Oct 91.25, Nov 93.25. EEC second-half July 117.50. English feed, fob: Sept 101.00-102.00, Oct 103.50-104.50, Oct/Dec 106.00-105.75, Jan/March 111.00-111.50 buyers/sellers, April/June 114.50 buyer. Maize: US No. 3 Yellow/French, transhipment East Coast: July 135.00. Barley: English feed, fob: Aug 99.25-99.75, Sept 101.00-102.00 buyers/sellers, Oct 104.00 buyer, Oct/Dec 106.25-107.00, Jan/March 111.00-112.00 buyers/sellers.

Business done—Wheat: Sept 99.75-9.40, Nov 102.80-2.60, Jan 105.95-5.75, Mar 108.50-8.25, May 110.95-10.50. Sales: 211 lots of 100 tonnes. Barley: Sept 99.30-9.05, Nov 102.60-2.45, Jan 105.80-5.60, Mar 108.20-8.00, May untraded. Sales: 193 lots of 100 tonnes.

POTATOES

After opening £1.50 lower prices rose due to strong buying with stop-loss levels being triggered, reports Coley and Harper.

Month	Yesterdays close £ per tonne	Previous close	Business done
Nov	119.00	113.50	119.00-115.00
Feb	128.50	123.50	—
Apr	177.60	166.50	177.60-165.00
May	189.00	177.00	187.00
Nov	85.70	81.30	—

Sales: 1,272 (1,091) lots of 40 tonnes.
Earlies—July 88.00, —6.00, 95.00-88.00: Aug 80.00, —2.50; Sept 80.00, —2.50. Sales: 10 lots of 10 tonnes.

OIL

Gas oil prices opened down but firmed during the day's trade. Naphtha was thinly traded but talk levels were higher. Gasoline prices were assessed weaker following deals at very low levels. Prices edged up in the 15-day Brent market with September reported as high as $10.15 and August at $9.60. Nymex WTI opened 13c down but recovered during the morning to trade 20c up in August by 1.30 EDT—Petroleum Argus, London.

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—August		
Arab Light	—	—
Arab Heavy	—	—
Dubai	7.00-7.15	+0.325
Brent Blend	9.60-9.70	+0.10
W.T.I. (1pm est)	12.25-12.35	+0.35
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	123-129	—5
Gas Oil	89-91	+2.5
Heavy fuel oil	47-49	—
Naphtha	86-90	+2

Petroleum Argus estimates.

Turnover: 3,904 (1,340) lots of 100 tonnes.

GAS OIL FUTURES

Month	Yestrday's Close US $ per tonne	+ or —	Business Done
Aug	95.25	+1.75	96.00-93.50
Sep	98.50	+0.50	99.00-95.75
Oct	101.75	+0.75	101.75-97.50
Nov	104.00	+0.50	104.00-00.75
Dec	106.50	+0.50	106.50-02.75
Jan	105.75	+1.25	—

Turnover: 3,088 (3,904) lots of 100 tonnes.

RUBBER

PHYSICALS — The London market opened steadier, attracted little interest at the higher levels and closed quiet and uncertain, reports Lewis and Peat. Closing prices (buyers): Spot 59.00p (58.25p); Aug 58.00p (57.25p); Sept 58.00p (57.25p). The Kuala Lumpur fob price (Malaysian cents per kg): RSS No. 1 215.0 (212.0) and SMR 20 190.0 (189.0).

FUTURES—Index 578, Aug 577-584, Sept 575-582, Oct-Dec 571-578, Jan-March 581-588, April-June 593-576, July-Sept 594-600. Sales: Nil.

US MARKETS

COCOA FUTURES closed moderately lower due to selling on news that cocoa consuming and producing nations had agreed on a package including a 103c per pound median price for a new International Agreement, reports Heinold. Traders had been buying for about two weeks amid hopes and rumours that a settlement would be reached. *When the agreement* came they took their profits by liquidating long positions. However, traders in both London and New York said the median 103c price was not bullish because the present cocoa price was above the level at which the buffer stock manager could begin purchases. Coffee futures turned mostly higher towards the close in a late recovery from early profit-taking declines after three consecutive sessions of limit-up gains. The market was dominated by day traders with a lack of volume on trades indicating the big players were standing aside. Traders sighted the resumption of short-covering and speculator buying and said the market still showed concern about dry weather in Brazil's coffee areas even though it is seasonally normal.

NEW YORK

ALUMINIUM 40,000 lbs, cents/lb

	Close	High	Low	Prev
July	50.35	—	—	50.50
Aug	50.50	—	—	50.65
Sept	50.75	50.80	50.50	50.90
Dec	51.25	51.10	51.10	51.40
Jan	51.35	—	—	51.50
March	51.75	—	—	51.90
May	52.05	—	—	52.20
July	52.30	—	—	52.45
Sept	52.50	—	—	52.65
Dec	52.70	—	—	52.85

COFFEE "C" 37,500 lbs, cents/lb

	Close	High	Low	Prev
July	182.00	186.00	176.00	180.85
Sept	185.38	188.25	170.00	182.73
Dec	189.05	192.24	182.25	184.24
March	191.25	193.45	185.00	187.45
May	194.27	195.73	189.00	190.75
July	196.38	197.00	191.75	191.75
Sept	198.94	199.38	193.38	193.25
Dec	199.81	—	—	194.25

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
July	59.35	59.15	59.00	59.25
August	59.10	—	—	59.25
Sept	59.45	59.70	59.40	59.55
Dec	60.00	60.20	59.90	60.15
Jan	60.20	—	—	60.35
March	60.55	60.75	60.55	60.70
May	60.85	61.00	61.00	61.00
July	61.25	61.35	61.30	61.40
Sept	61.55	—	—	61.70
Dec	62.00	—	—	62.15

COTTON 50,000 lbs, cents/lb

	Close	High	Low	Prev
Oct	30.52	30.80	30.25	30.35
Dec	31.07	31.25	30.80	32.78
March	31.98	32.00	31.55	31.85
May	32.55	32.60	32.20	32.45
July	33.25	33.30	33.05	33.15
Oct	34.25	34.45	34.25	34.25
Dec	35.25	35.42	35.20	35.15

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	High	Low	Prev
Aug	12.56	12.60	11.85	12.11
Sept	12.05	12.10	11.50	11.81
Oct	11.95	12.00	11.85	11.38
Nov	12.02	12.05	11.16	11.48
Dec	12.14	12.15	11.30	11.58
Jan	12.00	12.00	11.35	11.60
Feb	11.95	12.00	11.35	11.62
March	11.96	12.06	11.75	11.63
April	11.95	12.06	11.75	11.63
May	12.05	12.20	11.60	11.65

GOLD 10 troy oz, $/troy oz

	Close	High	Low	Prev
July	347.6	—	—	348.0
Aug	349.7	350.1	347.7	348.1
Sept	350.4	—	—	351.4
Oct	351.8	353.1	351.0	352.1
Dec	354.9	356.3	354.0	355.3
Feb	358.4	359.5	357.3	358.6
April	361.7	362.0	360.8	361.9
June	364.4	365.3	364.5	365.3
Aug	367.9	369.0	368.0	368.7
Oct	371.2	—	—	372.0
Dec	374.8	374.8	374.8	375.6
Feb	378.4	378.2	378.2	379.4
April	382.0	—	—	383.0

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
Aug	35.20	35.30	32.10	32.92
Sept	35.62	35.62	32.60	33.62
Oct	36.49	36.49	33.[illegible]	34.49
Nov	37.39	37.25	34.55	35.39
Dec	38.29	38.29	35.48	36.29
Jan	38.50	38.70	35.85	36.75
Feb	39.00	38.25	36.65	37.25
March	36.00	36.00	34.95	34.95
April	33.60	33.65	33.50	33.65
May	33.40	33.40	32.75	32.75

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
July	102.00	102.60	101.00	99.75
Sept	100.50	101.00	98.70	99.60
Nov	102.00	102.10	101.20	100.25
Jan	103.30	103.50	102.70	101.25
March	104.10	104.90	103.70	102.50
May	105.20	—	—	103.50
July	106.20	—	—	104.70
Sept	107.40	—	—	105.80

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
July	443.1	446.5	443.5	443.2
Oct	444.1	447.0	442.0	443.2
Jan	447.1	448.5	446.0	446.2
April	450.3	452.5	450.0	449.2
July	453.4	—	—	452.3

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
July	503.0	505.0	503.0	506.9
Aug	505.6	—	—	508.5
Sept	508.0	515.0	506.0	511.3
Dec	516.4	524.0	515.0	519.9
Jan	519.3	—	—	522.7
March	524.8	535.0	525.0	528.3
May	530.7	537.0	534.0	534.1
July	536.4	538.0	538.0	539.5
Sept	542.0	544.5	544.5	545.6
Dec	552.0	559.0	555.0	555.4

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Sept	5.09	5.16	5.08	5.17
Oct	5.46	5.50	5.43	5.46
Jan	5.35	5.61	5.55	5.65
March	6.25	6.38	6.23	6.30
May	6.44	6.50	6.41	6.40
July	6.61	6.59	6.59	6.55
Sept	6.67	—	—	6.68
Oct	6.89	6.89	6.80	6.82

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
July	1825	1850	1860	1853
Sept	1863	1915	1860	1890
Dec	1917	1966	1912	1950
March	1962	2006	1950	1983
May	1990	2022	1990	2012
July	2017	2017	2016	2041
Sept	2038	2025	2025	2063
Dec	2105	2105	2060	2125

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
August	56.92	57.80	56.20	56.67
Oct	55.42	55.70	54.35	55.57
Dec	57.55	58.65	57.25	57.72
Feb	56.17	56.60	56.70	56.57
April	57.32	57.50	56.78	56.87
June	57.70	57.80	57.10	57.10

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
July	61.65	61.85	61.20	60.35
Aug	59.17	60.17	57.60	57.67
Oct	55.52	55.52	53.95	53.67
Dec	53.85	54.40	53.50	53.75
Feb	50.80	51.00	50.25	50.25
April	44.95	45.25	44.45	44.40
June	46.45	46.50	45.95	45.30
July	46.42	46.42	45.90	45.87

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	High	Low	Prev
July	213.4	220.0	211.0	214.2
Sept	179.6	181.0	177.2	178.0
Dec	181.4	182.0	179.6	179.2
March	190.6	191.2	188.6	189.0
May	196.2	196.6	193.6	193.6
July	197.4	197.4	195.4	195.4
Sept	190.4	191.4	189.0	189.4

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
July	85.37	85.37	84.10	87.27
August	87.17	87.77	86.05	85.17
Feb	78.85	78.85	77.20	76.85
March	78.10	78.10	76.65	75.32
May	75.47	75.75	74.15	73.67
July	71.35	72.30	70.80	70.30

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
July	544.6	546.0	536.4	534.0
August	527.4	528.0	517.2	519.4
Sept	516.6	517.4	508.4	508.2
Nov	516.4	518.0	506.4	501.4
Jan	525.4	527.0	515.4	509.4
March	534.4	535.0	524.0	518.4
May	539.4	540.0	528.0	524.4
July	540.0	544.4	534.0	526.4
August	540.0	540.0	533.0	524.4

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
July	150.9	151.5	148.2	147.7
August	150.9	151.5	149.2	148.7
Sept	149.9	149.8	145.6	145.7
Oct	149.2	149.5	144.5	144.7
Dec	150.8	152.0	145.5	145.6
Jan	152.0	153.0	148.0	146.5
March	154.7	155.0	152.0	148.7
May	156.0	156.0	153.0	150.0
July	158.0	158.0	155.0	155.0
August	158.2	—	—	155.0

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
July	16.85	16.85	16.32	16.20
August	16.80	16.85	16.35	16.35
Sept	17.15	17.30	16.45	16.47
Oct	17.32	17.45	16.60	16.68
Dec	17.72	17.80	17.12	17.01
Jan	17.86	17.87	17.20	17.10
March	18.10	18.10	17.50	17.40
May	18.40	18.40	17.95	17.77
July	18.65	18.65	18.17	18.03
August	18.40	—	—	17.92

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
July	274.0	276.0	263.0	266.4
Sept	259.2	260.2	256.0	256.0
Dec	268.2	269.2	265.6	257.4
March	263.4	264.0	254.4	256.0
May	246.4	249.0	243.0	245.0
July	227.6	228.0	231.0	231.0

SPOT PRICES—Chicago loose lard 14.00 (same) cents per pound. Handy and Harman silver bullion 509.0 (509.0) cents per troy ounce.

SUGAR

LONDON DAILY PRICE—Raw sugar $129.50 (£84.00), down $3.50 (down £3.00) a tonne for Aug-Sept delivery. White sugar $170.50, down $1.00.

No. 6 Contract	Yest'rdy's close	Previous close	Business done
	$ per tonne F.O.B.		
Aug	133.8-133.6	136.0-136.8	135.8-133.4
Oct	122.4-122.5	136.4-135.6	136.0-122.4
Dec	131.6-132.6	136.0-136.5	—
Mar	143.0-143.2	146.8-147.0	146.2-143.2
May	148.2-148.4	146.8-147.0	148.0-148.4
Aug	148.8-150.2	147.8-148.0	—
Oct	157.0-159.0	—	—

Sales: 2,157 (3,421) lots of 50 tonnes.
Tate and Lyle delivery price for granulated basis sugar was $188.50 (£190.00) a tonne for export.
International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for July 15: Daily price 5.08 (4.96); 15-day average 5.47 (5.52).
PARIS—(FFr per tonne): Oct 1215/1223, Dec 1236/1250, March 1269/1275, May 1305/1320, Aug 1360/1380, Oct 1400/1420.

FREIGHT FUTURES

	Close	High/Low	Prev.
Dry Cargo			
July	560/562		560/564
Oct.	637/640	637/630	630/632
Jan.	678/675	672/662	669/683
April	725/736		727/730
July	670/660	670	662/660
Oct.	735/750		735/735
Jan.	730/760		775/765
Apr.	830/900		820/850
BFI	672.5		670.5

Turnover: 29 (40).

	Close	High/Low	Prev.
Tankers			
July	840/910		830/900
Aug	876/950	910/900	830/900
Sep	870/950		870/950
Dec	890/970		900/970
Mar	990/1050		990/1050
June	980/1040		1000/1050
BTI	946		946.5

Turnover: 26 (7).

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar touches new lows

The dollar continued to weaken yesterday on further signs of sluggish US economic growth. The scene was set overnight, when Mr Henry Kaufman, chief economist at Salomon Brothers, suggested the dollar was likely to fall to Y150 and DM 2.00. Salomon Brothers quarterly forecast also pointed to the US Federal funds rate falling to about 6 per cent before the year-end. After falling below the resistance point of DM 2.16 the US currency hovered nervously around DM 2.15, where it was felt the West German Bundesbank might be prepared to provide support. Figures released yesterday showed May US business inventories falling 0.3 per cent after a revised 0.1 per cent April rise, and industrial capacity use declining to 78.3 per cent in June from a revised 78.9 per cent in May. This data had little impact, but was further evidence of slow growth in the US economy, and continued to undermine confidence in the dollar.

The dollar fell to the lowest level since April 1981, at DM 2.1495 from DM 2.1660; to the lowest since November 1980 at SFr 1.7420 from SFr 1.7595; and to a record low of Y158.35 from Y159.45. It also weakened to FFr 6.9425 from FFr 6.9925. On Bank of England figures the dollar's index fell to 112.9 from 113.3.

STERLING — Trading range against the dollar in 1986 is 1.5355 to 1.3700. June average 1.5069. Exchange rate index rose to 73.9 from 73.7, compared with 78.0 six months ago.

Sterling improved, in spite of a depressed market for North Sea oil. The weakness of the dollar turned attention away from the pound, which gained 1.80 cents to $1.5130-1.5140. Sterling also rose to DM 3.2525 from DM 3.24; to FFr 10.5075 from FFr 10.4575; to SFr 2.6375 from SFr 2.63; and to Y239.75 from Y238.50.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 2.1495. June average 2.2326. Exchange rate index 136.6 against 131.6 six months ago.

The D-Mark improved against the dollar, but failed to establish itself below DM 2.15, after a fairly nervous day. The US currency closed at DM 2.1470 in Frankfurt, compared with DM 2.1650, but then moved back around the DM 2.15 level in after hours trading. New York dealers entered the market as sellers of dollars against the D-Mark, after the US currency had fallen sharply overnight, on the forecasts in Salomon Brothers quarterly report. The Bundesbank did not intervene when the dollar was fixed at DM 2.1526 in Frankfurt, compared with DM 2.1610. The West German central bank's council meets today, but is not expected to change credit policies, in spite of last week's cut in the US discount rate.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 158.35. June average 167.50. Exchange rate index 214.8 against 176.1 six months ago.

The yen was strong against the dollar in Tokyo yesterday. The US currency touched a record trading low of Y158 in the morning, before closing at Y158.30, compared with Y159.85 on Tuesday. Dealers expected a further decline by the dollar, but were reluctant to create large short positions for fear of central bank intervention. It was not clear whether the Bank of Japan intervened yesterday. There were suggestions of small scale dollar buying by the central bank, but there was no strong evidence, and it was generally felt the Japanese authorities were reluctant to encourage criticism from the US, after last week's discount rate cut by the Federal Reserve. Mr Satoshi Sumita, Governor of the Bank of Japan, said there will be no cut in the Japanese discount rate merely to attain stability on the foreign exchanges.

£ IN NEW YORK

July 16	Latest	Prev. close
£ Spot	$1.5067-1.5077	$1.5060-1.5070
1 month	0.45-0.42pm	0.45-0.44pm
3 months	1.27-1.23pm	1.27-1.26pm
12 months	4.50-4.40pm	4.50-4.45pm

Forward premiums and discounts apply to the US dollar

POUND SPOT—FORWARD AGAINST POUND

July 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5010-1.5155	1.5130-1.5140	0.44-0.41c pm	3.37	1.28-1.23pm	3.32
Canada	2.0694-2.0835	2.0825-2.0835	0.31-0.21c pm	1.50	0.90-0.74pm	1.57
Nethlnd.	3.64½-3.66¾	3.65¾-3.66¾	1⅛-1⅛c pm	4.10	4⅛-3⅞pm	4.30
Belgium	66.71-67.25	67.15-67.25	18-13c pm	2.77	53-44pm	2.89
Denmark	12.12⅝-12.17⅝	12.16⅝-12.17⅝	1-⅛ore pm	0.68	1⅛-⅛pm	0.33
Ireland	1.0775-1.0895	1.0875-1.0885	par-0.10p dis	−0.55	par-0.20dis	−0.37
W. Ger.	3.23-3.25¾	3.24¾-3.25¾	1⅝-1⅛pf pm	5.53	4⅛-4⅛pm	5.30
Portugal	221.89-224.54	222.36-224.08	80-215c dis	−7.13	180-550dis	−7.44
Spain	206.03-207.23	206.41-206.75	40-75c dis	−3.34	140-235dis	−3.63
Italy	2220¾-2235¾	2232-2233	1-6 lire dis	−1.90	5-12dis	−1.52
Norway	11.24-11.30	11.29-11.30	4⅛-5⅛ore dis	−5.31	13⅛-14⅛dis	−4.98
France	10.45-10.51½	10.50½-10.51½	2⅝-2⅛c pm	2.71	7⅛-6⅞pm	2.57
Sweden	10.61½-10.66½	10.65½-10.66½	⅛pm-⅛ore dis	0.07	⅛pm-⅛dis	−0.07
Japan	238¾-240¾	239¾-240¾	1⅛-⅞y pm	5.01	3⅞-3pm	5.63
Austria	22.71-22.86	22.74-22.77	10⅛-8⅞gro pm	5.07	28⅛-25⅞pm	4.69
Switz.	2.62-2.64⅝	2.63⅝-2.64⅝	1⅛-⅞c pm	4.54	3⅞-3pm	4.89

Belgian rate is for convertible francs. Financial franc 67.90-68.00
Six-month forward dollar 2.47-2.42c pm, 12-month 4.47-4.32c pm
Correction for July 15 French franc close 10.45⅝-10.46⅝

DOLLAR SPOT—FORWARD AGAINST DOLLAR

July 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5010-1.5155	1.5130-1.5140	0.44-0.41c pm	3.37	1.28-1.23pm	3.32
Ireland†	1.3848-1.393	1.3825-1.3835	0.50-0.35c pm	4.11	1.50-1.05pm	3.67
Canada	1.3720-1.3766	1.3755-1.3765	0.20-0.23c dis	−1.88	0.58-0.63dis	−1.76
Nethlnd.	2.4190-2.4330	2.4200-2.4210	0.19-0.16c pm	0.87	0.62-0.57pm	0.98
Belgium	44.30-44.50	44.35-44.45	1-3c dis	−0.54	3-7dis	−0.45
Denmark	8.02⅞-8.06⅞	8.03⅞-8.04⅞	0.80-1.40ore dis	−1.64	3.85-4.45dis	−2.06
W. Ger.	2.1460-2.1575	2.1490-2.1500	0.38-0.35pf pm	2.03	1.10-1.05pm	2.00
Portugal	146-148½	147¾-148½	80-180c dis	−10.52	250-550dis	−10.79
Spain	136.70-137.24	136.95-137.05	80-100c dis	−7.87	220-320dis	−7.87
Italy	1470-1481	1474½-1475½	5-6½ lire dis	−4.67	17-19½dis	−4.94
Norway	7.45⅞-7.48⅞	7.46-7.46½	5.20-5.60ore dis	−8.66	15.90-16.30d	−8.61
France	6.93-6.96⅝	6.94-6.94½	0.35-0.45c dis	−0.69	1.20-1.40dis	−0.75
Sweden	7.03⅝-7.06⅝	7.04-7.04½	1.90-2.10ore dis	−3.40	5.85-5.25dis	−3.46
Japan	158.00-158.90	158.30-158.40	0.27-0.22y pm	1.85	0.80-0.75pm	1.96
Austria	15.09-15.16	15.10½-15.10⅞	2⅝-1⅞gro pm	1.89	7-4pm	1.45
Switz.	1.7340-1.7480	1.7415-1.7425	0.23-0.18c pm	1.41	0.72-0.62pm	1.54

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.
Belgian rate is for convertible francs. Financial franc 44.85-44.95.

EXCHANGE CROSS RATES

July 16	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.514	3.253	239.8	10.51	2.638	3.663	2233.	2.082	67.20
$	0.661	1.	2.150	158.4	6.943	1.742	2.421	1475.	1.376	44.40
DM	0.307	0.465	1.	73.71	3.231	0.811	1.126	686.4	0.640	20.66
YEN	4.171	6.313	13.57	1000.	43.85	11.00	15.28	9312.	8.688	280.3
F Fr.	0.952	1.440	3.096	228.2	10.	2.510	3.486	2125.	1.982	63.95
S Fr.	0.379	0.574	1.233	90.90	3.984	1.	1.389	846.4	0.790	25.48
H Fl.	0.273	0.413	0.888	55.46	2.869	0.720	1.	609.6	0.568	18.35
Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1000.	[illegible]	[illegible]
C $	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.	[illegible]
B Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

July 16	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
[illegible]						
B.Fr.(Con)	6⅞-7⅞	6⅞-7⅞	6⅞-7⅞	6⅞-7⅞	6⅞-7⅞	6⅞-7⅞
Yen	4⅞-4⅞	4⅞-4⅞	4⅞-4⅞	4⅞-4⅞	4⅞-4⅞	4⅞-4⅞
D. Krone	8¾-9¼	9½-10	9-9½	9½-9⅞	9¼-9¾	9½-10
Asian $ (Sng)	6½-6⅝	6½-6⅝	6½-6⅝	6½-6⅝	6½-6⅝	6½-6⅝

Long-term Eurodollars: Two years 6⅞-7⅞ per cent; three years 7⅞-7⅞ per cent; four years 7⅞-7⅞ per cent; five years 7⅞-8⅞ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

CURRENCY MOVEMENTS

July 16	Bank of England Index	Morgan Guaranty Change %
Sterling	73.9	−17.5
[illegible]		

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

July 16	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]			

* CS/SDR rate for July 15: [illegible]

OTHER CURRENCIES

July 16	£	$
[illegible]		

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 16	% change from central rate	% change adjusted for divergence	Divergence limit %
[illegible]					
German D-mark	[illegible]	2.13016			
French Franc	[illegible]	6.87839			
Dutch Guilder	2.40935	2.40124			
Irish Punt	0.712956	0.712522			
Italian Lira	1496.21	1462.82			

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

Better tone

Sterling based instruments were firmer in the London International Financial Futures Exchange yesterday. Sentiment was help by a recovery by sterling and a weaker dollar. Cash rates stabilised and the knock on effects of lower oil prices were forgotten for the time being. The September price for three-month sterling deposits opened at 90.24, up from 90.18, and improved on short covering to a high of 90.34. It finished at 90.32.

Long gilts were also firmer with the September price rising from an opening level of 120-11 to a high of 120-31 before finishing at 120-23, up from 119-25 on Tuesday.

Euro-dollar prices showed little overall change. The September price opened at 93.64 and moved to a high of 93.65 and traded around this level for much of the morning. Trading was very steady until Chicago opened after which values drifted to 93.61 before closing at 93.62, unchanged from Tuesday. News of a 0.3 per cent fall in US business inventories appeared to have little overall effect.

The US bond prices showed little overall change on the day but were up from Tuesday. The September price opened at 100-26 and eased to 100-77. Chicago trading pushed it to a low of 100-09 in relatively light volume but there were too many buyers at this level and values were pushed up to a closing level of 100-25.

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
116	5.06	6.08	—	—	0.23	1.38	—	—
118	3.33	4.64	—	—	0.51	2.20	—	—
120	2.15	3.46	—	—	1.33	3.12	—	—
122	1.19	2.61	—	—	2.37	4.17	—	—
124	0.44	2.03	—	—	3.62	5.33	—	—
126	0.21	1.29	—	—	5.39	6.59	—	—
128	0.09	1.01	—	—	7.27	8.31	—	—
130	0.03	0.44	—	—	9.21	10.10	—	—

Estimated volume total, Calls 166, Puts 215
Previous day's open int. Calls 11,520, Puts 3,700

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
88	12.50	12.29	—	—	0.00	0.23	—	—
90	10.51	10.44	—	—	0.01	0.38	—	—
92	8.53	9.01	—	—	0.03	0.59	—	—
94	6.59	7.31	—	—	0.09	1.25	—	—
96	5.06	6.07	—	—	0.22	2.01	—	—
98	3.36	4.56	—	—	0.50	2.50	—	—
100	2.18	3.53	—	—	1.32	3.47	—	—
102	1.21	2.60	—	—	2.36	4.54	—	—

Estimated volume total, Calls 178, Puts 275
Previous day's open int. Calls 1,584, Puts 580

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike price	Calls—Last Aug	Sept	Oct	Dec	Puts—Last Aug	Sept	Oct	Dec
1.30	—	20.74	—	20.74	—	0.03	—	0.86
1.35	15.74	15.74	15.74	15.74	0.01	0.16	0.43	1.27
1.40	10.74	10.74	10.74	11.14	0.12	0.60	1.15	2.44
1.45	5.59	6.59	7.07	7.91	0.70	1.68	2.52	4.21
1.50	2.70	3.63	4.29	5.35	2.41	3.73	4.74	6.65
1.55	0.89	1.73	2.37	3.44	5.60	6.83	7.62	8.74
1.60	0.21	0.71	1.18	2.10	9.92	10.81	11.63	13.40

Estimated volume total, Calls 3,285, Puts 4,749
Previous day's open int. Calls 99, Puts 130

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last Aug	Sept	Dec	Mar	Puts—Last Aug	Sept	Dec	Mar
1.35	—	19.80	—	19.80	—	0.50	—	1.50
1.40	0.00	10.00	—	10.20	0.00	1.40	—	2.70
1.45	6.45	6.90	7.40	7.95	0.75	1.55	2.30	3.70
1.50	2.90	3.75	4.35	5.20	2.35	3.50	4.45	6.05
1.55	1.05	1.80	2.35	3.25	5.45	6.80	7.40	9.10
1.60	0.30	0.80	—	1.90	9.85	10.80	—	12.65
1.65	0.25	0.40	—	1.15	14.60	15.10	—	16.70

Previous day's open int. Calls 3,853, Puts 1,236
Volume, 24

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last Aug	Sept	Dec	Mar	Puts—Last Aug	Sept	Dec	Mar
1.30	—	20.80	20.70	—	—	0.05	0.45	—
1.35	—	15.80	15.70	15.90	—	0.10	1.00	1.95
1.40	—	10.90	11.30	11.90	—	0.45	1.95	3.10
1.45	6.15	6.65	7.90	8.80	0.65	1.40	3.40	5.00
1.50	2.80	3.60	5.05	5.90	2.05	3.35	5.65	7.45
1.55	0.90	1.65	3.00	3.90	5.10	6.40	8.60	10.45
1.60	0.20	0.65	1.75	2.50	9.40	10.10	12.20	13.90

Previous day's open int. Calls 29,305, Puts 29,428
Previous day's volume, Calls 757, Puts 787

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
92.00	1.62	1.59	—	—	0.00	0.01	—	—
92.25	1.37	1.38	1.24	—	0.00	0.03	0.09	—
92.50	1.12	1.12	1.03	—	0.00	0.04	0.13	—
92.75	0.88	0.90	0.83	—	0.01	0.07	0.18	—
93.00	0.64	0.70	0.66	—	0.02	0.12	0.25	—
93.25	0.43	0.52	0.50	—	0.06	0.19	0.35	—
93.50	0.25	0.36	0.36	—	0.13	0.28	0.46	—

Previous day's open int. Calls 862, Puts 1,108
Estimated volume, Calls 145, Puts 80

CHICAGO

US TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
[illegible]				

US TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
[illegible]				

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
[illegible]				

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
[illegible]				

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
Sept	90.32	90.34	90.24	90.18
[illegible]				

US TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
[illegible]				

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
[illegible]				

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
[illegible]				
March	92.32	—	—	92.28

Estimated volume 2,926 (5,850)
Previous day's open int. 17,020 (18,478)

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

	Spot	1-mth.	3-mth.	6-mth.	12-mth.
	1.5135	1.5093	1.5010	1.4891	1.4688

IMM—STERLING $ per £

	Latest	High	Low	Prev
[illegible]				

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
[illegible]				

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
[illegible]				

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

	Close	High	Low	Prev
[illegible]				

STERLING INDEX

	July 16	Previous
8.30 am	73.9	73.1
9.00 am	73.8	73.2
10.00 am	74.1	73.3
11.00 am	74.0	73.3
Noon	74.1	73.5
1.00 pm	74.1	73.6
2.00 pm	74.1	73.5
3.00 pm	74.1	73.5
4.00 pm	73.9	73.7

MONEY MARKETS

UK rates steadier in quiet trading

Interest ratest showed little overall change in the London money market yesterday. Sterling was slightly firmer overall but the market appeared to lack any overall incentive.

Three-month interbank money was quoted at 9 15/16-10 1/16 per cent, unchanged from Tuesday. Overnight money opened at 9¾-10 per cent and rose to 10¼-10½ per cent before slipping back to 9¾-10 per cent. During the afternoon it touched a high of 11 per cent before finishing at 10 per cent.

The Bank of England forecast a shortage of around £800m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £538m and Exchequer transactions a further £60m. There was also a rise in the note circulation of £120m and banks brought forward balances £90m below target.

To help alleviate the shortage the Bank offered an early round of assistance which totalled £247m and comprised outright purchases of £149m of eligible bank bills in band 2 at 9 11/16 per cent, £63m in band 3 at 9⅝ per cent and £35m in band 4 at 9 11/16 per cent.

The forecast was revised to a shortage of around £950m before taking into account the early help and the Bank gave additional assistance in the morning of £279m. This comprised purchases of £39m of eligible bank bills in band 1 at 9¾ per cent, £196m in band 2 at 9 11/16 per cent, £5m in band 3 at 9⅝ per cent and £39m in band 4 at 9 11/16 per cent.

Once again the forecast was revised, this time to a shortage of around £1,000m, and the Bank gave additional help in the afternoon of £259m through outright purchases of £232m of eligible bank bills in band 2 at 9 11/16 per cent, £3m in band 3 at 9⅝ per cent and £24m in band 4 at 9 11/16 per cent. Late help came to £90m, making a total of £375m.

UK clearing bank base lending rate, 10 per cent since May 22

NEW YORK RATES
(Lunchtime)

Prime rate	8
Broker loan rate	7¾
Fed funds	6 5/16
Fed funds at intervention	6 5/16

Treasury Bills & Bonds

One month	5.53
Two month	5.65
Three month	5.94
Six month	6.07
One year	6.18
Two year	6.58
Three year	6.70
Four year	6.83
Five year	6.92
Seven year	7.07
10 year	7.18
30 year	7.14

FT LONDON INTERBANK FIXING
(11.00 a.m. July 16)

Three months US dollars		Six months US dollars	
bid 6 1/16	offer 6 3/16	bid 6 1/16	offer 6 3/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

July 16	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	9¾-11	9⅞-10⅛	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Depos	9¾-10	9¾-10	[illegible]	[illegible]	[illegible]	[illegible]
Local Author'y Bonds	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Depos	9¾-10¼	9¾-10	[illegible]	[illegible]	[illegible]	[illegible]
Company Depos	10¼	10⅛	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Depos	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	—	—	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Depos	—	—	[illegible]	[illegible]	[illegible]	[illegible]
ECU Depos	—	—	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 9 11/16 per cent; three months [illegible] per cent. Bank Bills (sell): one-month 9 23/32 per cent; three months [illegible] per cent. Treasury Bills: Average tender rate of discount 9.3907 per cent. ECGD Fixed Finance Scheme IV reference date June 4 to July 1 (inclusive) 9.824 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 per cent from July 1 1986. Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10 per cent; one-three months 10 per cent; three-six months 10 per cent; six-nine months 10 per cent; nine-12 months 10 per cent. Under £100,000 10 per cent from July 16. Deposits held under Series 5 10 per cent. Deposits withdrawn for cash 6½ per cent.

MONEY RATES

July 16	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard In'v'tin
Frankfurt	4.55-4.65	4.55-4.65	4.55-4.65	4.55-4.65	4.55-4.70	5.5
Paris	7	7⅛-7¼	7⅛-7¼	7⅛-7¼	7⅛-7¼	7
Zurich	⅞-1⅛	3-5⅛	—	4⅛-5⅛	—	—
Amsterdam	5⅞-6	5⅞-5⅞	—	5⅞-5⅞	—	—
Tokyo	[illegible]	[illegible]	—	[illegible]	—	—
Milan	[illegible]	[illegible]	—	[illegible]	—	—
Brussels	[illegible]	[illegible]	—	[illegible]	—	—
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1986 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
[illegible]	[illegible]	Exch. 14pc 1986	[illegible]	[illegible]	13.86	9.91
[illegible]	[illegible]	Exch. 2½pc 1986	[illegible]	[illegible]	2.52	7.06
[illegible]	[illegible]	Exch. 13¼pc 1987	[illegible]	[illegible]	13.05	9.99
[illegible]	[illegible]	Treas 10¼pcCv '87	[illegible]	[illegible]	10.23	9.89
[illegible]	[illegible]	Exch 2¼pc 1987	[illegible]	[illegible]	2.54	6.97
[illegible]	[illegible]	Exch. 10½pc 1987	[illegible]	[illegible]	10.46	9.86
[illegible]	[illegible]	Funding 6½pc '85-87‡‡	[illegible]	[illegible]	6.61	8.98
[illegible]	[illegible]	Treas. 10pc 1987	[illegible]	[illegible]	9.96	9.86
[illegible]	[illegible]	Treas 3pc 1987	[illegible]	[illegible]	3.10	6.98
[illegible]	[illegible]	Treas. 12pc 1987	[illegible]	[illegible]	11.71	9.81
[illegible]	[illegible]	Treas 7¾pc 1985-88‡‡	[illegible]	[illegible]	7.90	9.12
104	[illegible]	Exch 10½pc '88	[illegible]	[illegible]	10.36	9.62
[illegible]	[illegible]	Treas 9¾pc Cv '88	[illegible]	[illegible]	9.73	9.62
[illegible]	[illegible]	Transport 3pc '78-88	[illegible]	[illegible]	3.20	6.80
[illegible]	[illegible]	Treas. 9½pc '88	[illegible]	[illegible]	9.52	9.56
[illegible]	[illegible]	Treas 11½pc 1989	[illegible]	[illegible]	11.00	9.54
[illegible]	[illegible]	Treas 9½pc Cnv. '89	[illegible]	[illegible]	9.50	9.45
[illegible]	[illegible]	Treas 3pc 1989	[illegible]	[illegible]	3.33	7.08
[illegible]	[illegible]	Treas 10½pc 1989	[illegible]	[illegible]	10.26	9.57
[illegible]	[illegible]	Exch. 10pc 1989	[illegible]	[illegible]	9.87	9.55
[illegible]	97	Exch 11pc 1989	104	[illegible]	10.58	9.49
[illegible]	[illegible]	Treas 5pc 1986-89	[illegible]	[illegible]	5.46	8.01
[illegible]	[illegible]	Exch 10¼pcCv '89	[illegible]	[illegible]	9.70	8.16
[illegible]	[illegible]	Treas 13pc 1990‡‡	[illegible]	[illegible]	11.76	9.41
[illegible]	[illegible]	Exch 11pc 1990‡‡	[illegible]	[illegible]	10.51	9.46
[illegible]	[illegible]	Exch. 12½pc 1990	[illegible]	[illegible]	11.46	9.48
[illegible]	[illegible]	Treas. 3pc 1990	[illegible]	[illegible]	3.46	7.10
[illegible]	[illegible]	Treas 8¼pc 1987-90‡‡	[illegible]	[illegible]	8.45	8.97

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

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Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

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DRAPERY & STORES—Cont.

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ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

1986 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
317	210	Morgan Crucible	285	–2	8.5	1.7	4.2	17.8
29½	15½	Morris (W) F.A. 20p	27½	–½	—	—	—	—
139	96	Moss (Robt.) 10p	130	......	43.3	2.7	3.6	14.0
141	65	Mysen Grp 10p	134	–1	2.63	2.6	2.8	17.3
365	259	NMW Computers	300	–5	6.0	3.0	2.8	17.3
40	27	Nash Inds	39	......	10.5	—	1.8	—
27½	15½	Neill & Spencer 10p	23	......	—	—	—	—
38	28	Newman Inds 10p	38	......	0.8	1.2	3.0	36.9
130	65	Noble & Lund 10p	126	+8	0.7	4.3	0.8	41.5
65	44	Norton	52	+1	0.95	7.0	2.6	7.4
138	96	Norank Systems 5p	130	......	3.0	♦	3.2	♦
206	187	Norcros	257	–7	9.5	2.2	5.1	12.3
173	49	Nu-Swift 5p	163	+5	3.5	2.1	3.0	21.9
£305	£228	OCE 9pc Cnv 1987-92	£292	......	Q9%	—	3.1	—
118	80	Oakwood Grp	95	–2	5.0	1.9	‡	13.2
250	203	Office & Elect	228	–2	8.5	2.9	5.3	9.3
102	78	Oldacre 20p	100	......	5.0	♦	7.3	♦
36	24	Optometrics $0.01	28	......	—	—	—	—
850	500	Ostlique £1	805	......	24.5	2.1	4.3	15.6
10	6	Owenstone 12½p	6	......	03.25	1.9	14.1	3.7

For Ozalid 9pc Cnv see OCE 9pc Cnv

1986 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
142	85	PCT Grp 10p	130	......	3.2	1.2	5.1	32.0
£20½	950	PLM 'B' Sk 25	£16½	......	Q23.2%	0.3	4.0	—
184	114	PSM Intl	172	......	5.5	2.1	4.5	13.1
255	167	Pacer Systems $0.01	205	......	[illegible]	3.4	1.3	22.9
78	56	Pacific Sales 10p	65	......	3.0	2.1	6.5	8.5
342	226	Park Place 10p	330	......	16.25	1.9	2.7	27.7
445	266	Parker Knoll 'A'	425	......	19.5	2.9	3.2	15.1
545	208	Parkfield Group 5p	535	......	12.4	2.4	0.6	89.5
55	38	Pavion Intl	52	......	—	—	—	8.5
£130	292	Do 11pc CnLn '94-02	£102	......	Q11%	—	11.2	—

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

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PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

MINES—Continued

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

[illegible]

"Recent Issues" and "Rights" Page 41
(International Edition Page 25)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
June 30	July 10	July 11	July 21
July 14	July 24	July 25	Aug 4
July 28	Aug 7	Aug 8	Aug 18

* "New-time" dealings may take place from 9.30 am two business days earlier.

Firmer trend in sterling boosts Gilts—equities steadier

The undertone in London financial markets remained distinctly cautious and leading shares did little more than mark time yesterday. Sterling benefited from fresh weakness in the dollar and this helped to impart a more confident trading session in Government securities, but failed to inspire equities.

Overshadowed by the two-day slide on Wall Street, blue chip industrials were inclined easier at the outset. However, in the absence of sellers, prices began to edge higher after the first hour or so of business. Thereafter, the trend was undecided awaiting a lead from the US.

A good recovery on Wall Street in the early dealings gave a boost to sentiment in domestic equities and the Financial Times Ordinary share index closed with a gain of 3.7 at 1306.3 after having recorded a fall of 0.6 at the 10 am calculation. The more broadly based FT-SE 100 share index, which posted a fall og 4.4 at the opening, ended 4.3 up on the day at 1597.3.

Unsettled initially by the board dispute, Guinness eased to 325p before recovering to close unaltered on balance at 330p. Elsewhere, the continuing lack of investment confidence was reflected in lack-lustre trading session. However, speculative actiivty was again evident, while company trading statements resulted in the occasional feature.

Encouraged by a further improvements in the pound yesterday and the overnight rise in US bonds, Government securities continued the previous day's rally. Buying interest centred mainly on the long end of the market where gains ranged up to a point. The shorter maturities, however, passed a relatively quiet trading session, but still recorded improvements of ¼ and occasionally more.

Chinese bonds reacted sharply in the absence of any debt settlement news, the 5 per cent Boxer closing 13 lower at 27.

Lloyds Brokers firm

Lloyds Brokers continued to lead the way in Insurance with **Stewart Wrightson** rising 15 more to 463p on continuing talk of a possible £7 per share bid from Citicorp of the US. **Hogg Robinson** advanced 6 more to 316p and **Minet** firmed 4 at 252p. **Derek Bryant** jumped a further 35 to 340p in a restricted market.

Investors in the major clearing banks were deterred by news of the second largest commercial bank failure in US history and for most fo the session, prices remained at their overnight levels. However, **Midland** came in for some late support and closed 8 to the good at 550p; dealings in the shares commence on the Traded Option market next week. Elsewhere, **Standard Chartered** rallied 7 to 732p following the announcement that Sir Yue-Kong Pao had increased his stake in the company to just under 15 per cent. Among Hire Purchases, **Equity and General** advanced 4½ to 28p amid rumours of a large shareholding in the group changing hands.

M6 Cash and Carry's debut on the Unlisted Securities Market proved slightly better than expected; originally offered for sale at 100p and, with 71 per cent of the shares left with the sub-underwriters, the share price opened at 88p and ended the session at 90p. Among other recent issues, **Shield Group** soared 37 to 155p following news that the 50 per cent owned Carlton Heath subsidiary is expected to shortly start work on a residential development in Hampstead involving a total outlay of £2.89m; the development should have a resale value of around £15m.

Cider makers **H. P. Bulmer** eased 5 to 153p, after 154p, after announcing preliminary profits at the lower end of market expectations.

Movements among leading Buildings were generally modest. **Blue Circle** edged up 3 to 615p and **RMC** hardened 4 to 664p, but **Tarmac** softened 4 to 476p. Elsewhere, **Magnet and Southerns** featured with a gain of 10 at 184p in reply to the satisfactory annual results and the cheerful statement on current trading. **Higgs and Hill** attracted buyers following the recommended offer for Southend Estates worth some £29m and closed 15 higher at 595p, while **Raine Industries** traded firmly awaiting the outcome of merger discussions and rose 4 to 82p. Demand in a restricted market lifted **Vibroplant** 7 to 312p, but **Henderson** slipped 5 to 235p on lack of interest.

ICI were a steady market and finished a shade dearer at 984p reflecting the early rally on Wall Street. **Coalite** continued to attract buyers on takeover hopes and gained 6 more to 305p, while **Wardle Storeys** revived with an improvement of 8 at 338p. **British Benzol** added 3 to 76p and **Sutcliffe Speakman** picked up a like amount at 61p. Recently-firm **Coates Brothers A** shed 3 to 154p on news that Adelaide Steamship is interested in a 20.6 per cent stake but regards the holding as a long term investment.

Harris Queensway up

Harris Queensway advanced 16 to 252p reflecting aggressive buying following bullish notices emanating from an analyst's meeting. **Dixons** touched 330p before settling a net 4 up at 336p after revealing preliminary profits slightly in excess of the forecast made at the time of the unsuccessful bid for Woolworth. Other high street Retailers continued to trade in subdued fashion and generally closed a shade firmer for choice. **Ratners**, which announced excellent full-year figures on Monday, rallied a few pence to 175p, while asset injection hopes again buoyed **Lanca**, finally 7 up for a three-day gain of 18 to 61p. **Tern**, however, remained nervous awaiting today's annual results and dipped 3 more to 49p.

Hopes that the authorities would soon give the green light for GEC to bid for the group left **Plessey** 4 higher at 218p, after 220p; **GEC** hardened a couple of pence at 196p. Elsewhere in Electricals, vague talk of a possible bid from Pilkington left **United Scientific** 10 better at 155p, while **Audiotronic** hardened a fraction to 14¼p on the announcement that Coast Development and Investment, Kuwait, and Coast Securities hold a 6.53 per cent stake in the company. **Eurotherm**, on the other hand, lost 15 more to 265p, after 250p, following the disappointing interim figures.

Features were few and far between in the Engineering sector. **Molins** reflected revived demand in a thin market and closed 11 higher at 183p, while **Howden** gained 7 at 104p following comment on the results. **Richardson Westgarth** firmed 3 to 41p on the news that Baremo had increased its stake in the company to just under 15 per cent. **Brasway** eased a penny to 93p, after 90p, despite the good results and proposed 100 per cent scrip-issue.

S. & W. Berisford firmed 5 to 236p on news that Tate and Lyle 3 cheaper at 580p, had been given permission to increase its stake in the company from the current 10½ per cent to 23.7 per cent pending the outcome of the Monopolies investigation. **Ranks Hovis McDougall**, in which Berisford is a major shareholder, improved 4 to 213p. Elsewhere in the Food sector, **Bejam** attracted revived demand on takeover hopes and put on 4 to 182p, after 183p. **Northern Foods**, which made an agreed bid for Mayhew Foods on Tuesday, edged up a couple of pence to 234p, but **Unigate** slipped 3 to 290p and **United Biscuits** lost a like amount at 235p. **Park Foods**, a firm market in recent days reflecting good results, eased 5 to 157p on profit taking.

Among Hotels, **Mount Charlotte** attracted buyers at 85½p, up 1½, and **Norscot** firmed 5 to 125p as takeover hopes revived.

Glaxo up late

Miscellaneous industrial leaders were featured by a late flurry of interest in **Glaxo** which touched 975p before closing 22 higher on balance at 972p. Elsewhere, **Reuters**, 3 easier at 480p, were unaffected by the late announcement that Mirror Group Newspapers had disposed of its entire shareholding (2m shares) in the group. **Aberfoyle** jumped 8 to 45p following the appearance of a large buyer and "shell" situation. **The Times Veneer**, closed 7 to the good at 60p, after 61p. Renewed demand on expansion hopes lifted **Noble and Lund** 8 to 126p, while **Nu Swift** reflected vague rumours of a bid from Hawley with a rise of 5 at 163p. Press speculation about a possible takeover for **Brengreen** in the wake of the uninspiring results left the shares 2½ dearer at 40p. Speculative buying prompted gains of 6 and 7 respectively in **Blue Arrow**, 370p, and **Sharna Ware**, 45p. A good two-way business was transacted in **Hyman** which eventually ended the session a couple of pence off at 40½p, while **London International** dropped 10 to 190p on lack of support.

International Leisure were a firm market and rose 4 to 130p in response to favourable Press comment on the preliminary figures.

In Motor Components **Leokers** rose 3 to a 1986 peak of 162p as certain shareholders, including members of the Tongue and Radford families sold just over 20 per cent of the equity; Lloyds Merchant Bank acquired 7.18 per cent, while brokers Panmure Gordon placed the remainder with various institutions. Mr R. E. Tongue has resigned from the board.

Advertising agencies were irregular. **Saatchi and Saatchi**, persistently sold recently, rallied 15 to 705p, but **Wight Collins Rutherford Scott** dipped 10 to 458p and **Boase Massimi Pollitt** closed 6 cheaper at 262p. Elsewhere, **Spafax Television** hardened a few pence to 115p in front of today's half-timer.

Leading Properties gave another subdued performance. **MEPC** drifted off to close 7 cheaper at 345p and **Land Securities** cheapened 3 to 334p. Secondary issues, however, displayed several bright features including **Regalian** which rose 50 to 635p on news of the agreement with Arlington Securities for the purchase of the apartment portion of the latter's property development at Port Solent, Portsmouth. **Phoenix Property** touched 80p prior to closing 2 dearer at 78p following the appointment of a new chief executive and news that major shareholder Mr Damian Aspinall has agreed to sell his 29.9 per cent stake in the company at approximately 74p per share to two current directors. **United Real** firmed 15 to 850p awaiting news of the bid approach, while **Mountview** moved up 25 to 725p in a restricted market. **Markheath** continued to reflect the good results and added a penny more to 51p, but recently-firm **York Mount** encountered profit-taking and shed 13 to 107p.

Among firmer Textiles, **Dawson International**, 266p, and **Courtaulds**, 288p hardened 4 and 3 respectively. Revived speculative demand lifted **Burmatex** 8 to 188p and **Illingworth Morris** 7 to 121p. **Victoria Carpet** advanced 6 to 103p in response to the sharply increased annual profits.

Rothmans International gained 6 to a year's high of 167p following the quarterly figures from its Carling O'Keefe subsidiary.

Financials were irregular. **Barrie Investment and Finance** dipped a penny to 15½p following the bid from Mr Tony Cole's **Bestwood**, 40 cheaper at 555p. Bestwood already controls just under 30 per cent of Barrie, but the latter's board has rejected the offer as "wholly inadequate."

"Take-profits" advice clipped a few pence from **Authority Investments** at 490p — 10 below the partial tender offer from Berkley House. In contrast, **James Ferguson** firmed 10 to 115p following acquisition news; while asset injection hopes lifted **NMC Investments** a few pence to 130p.

Lasmo gain ground

The leading oils, under pressure over the past few months reflecting the slump in crude oil prices, staged a good advance. The movement was spearheaded by LASMO and BP following news that the jointly-owned Hudbay Oil had participated in an important oil discovery on Padang Island, Indonesia. Interest in the sector was additionally triggered by more encouraging trend in oil prices — Brent crude for August delivery ended the day around 10 cents higher on balance, having initially dipped some 25 cents. LASMO were the outstanding performer and settled 11 to the good at 101p, while BP added 6 at 571p. **Britoil**, 143p, **Tricentrol**, 45p and **Ultramar**, 166p, showed improvements in the region of 3. Elsewhere, a report that **Powell Duffryn** has built up a stake of around 4.7 per cent in **Carless Capel** saw the latter move up 5 to 60p. Other firm spots in secondary oils included **Sovereign Oil**, 3 harder at 25p and **Berkeley Exploration**, a couple of pence better at 40p.

A further slide in the Financial Rand to around 19.5 cents and continuing concern over the possibility of a comprehensive package of economic sanctions against South Africa in the next few weeks prompted renewed weakness in the South African mining sector. Business throughout South Africans was generally confined to small flurries of selling pressure and a marked lack of buying interest. In addition, sterling quotations were lowered following the rally in the pound against the dollar. The Gold Mines index, registering its fourth consecutive decline, fell 1.8 more to 188.5 — its lowest level since June 23 1982.

The heavyweights showed falls of around a point common to **Vaal Reefs**, £31¼, and **Randfontein**, £38¼, while **Western Deep** lost ½ to a 1986 low of £15½ and **Buffels** ¼ to £10¼.

In a depressed South African Financials group **De Beers** were off at 416p, **"Amgold"** eased a shade to a year's low of £34¼ and **"Johnnies"** fell a point to £50.

Rio Tinto-Zinc rallied well and picked up 9 to 571p after Tuesday's sharp sell-off which accompanied talk of a leading brokers profits downgrading. **Consolidated Gold Fields** edged up 4 to 433p.

Australian mines made good progress in overnight domestic markets and were marked higher at the outset of trading in London. However, the improvement in sterling against the Australian dollar had a restraining effect on prices which were no better than mixed at the close of trading. Among the leaders **Peko-Wallsend** fell 6 to 217p. **CRA** dipped 3 to 241p and **MIM Holding** 4 to a 1986 low of 77p.

Traded Options

Subdued conditions prevailed in Traded Options, reflecting lack of enthusiasm for the underlying securities. **Hanson Trust** recorded 935 calls and 420 puts, but dealers reported minimal interest elsewhere. Total contracts transacted amounted to 11,857. Traded Options will be introduced in Midland Bank next Thursday on the August, November, February and May cycle.

FINANCIAL TIMES STOCK INDICES

	July 16	July 15	July 14	July 11	July 10	Year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	89.48	89.00	88.92	89.91	90.41	83.56	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.01	96.35	96.15	96.87	97.12	88.00	97.48 (3/7)	86.55 (2/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1306.3	1302.6	1309.9	1337.3	1340.6	933.6	1425.9 (3/4)	1094.3 (14/1)	1425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	188.5	190.3	196.4	198.1	203.6	410.8	357.0 (27/1)	188.5 (16/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.23	4.24	4.22	4.14	4.13	4.99				
Earnings Yld.% (full)	10.19	10.22	10.16	9.93	9.90	12.45				
P/E Ratio (net) (*)	11.93	11.90	11.97	12.27	12.30	9.81				
Total Bargains (Est.)	25,171	25,183	27,706	30,448	28,527	19,600				
Equity Turnover £m.	—	536.50	630.81	786.95	798.15	468.77				
Equity Bargains	—	21,620	24,097	27,983	26,603	15,732				
Shares Traded (ml).	—	220.3	247.3	333.4	313.3	209.6				

S.E. ACTIVITY

Indices	July 15	July 14
Gilt Edged Bargains	172.2	164.6
Equity Bargains	140.1	156.1
Equity Value	1,084.4	1,275.0
5-Day Average		
Gilt Edged Bargains	150.3	145.0
Equity Bargains	143.5	171.3
Equity Value	1,359.8	1,371.4

Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1298.9	1302.0	1305.6	1302.4	1302.2	1301.6	1303.1	1305.1

Day's High 1306.8. Day's Low 1298.8.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.53.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Tues July 15 Index No.	Mon July 14 Index No.	Fri July 11 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (212)	718.51	+0.1	[illegible]	[illegible]	14.97	9.26	717.84	722.05	732.48	497.71
2 Building Materials (26)	810.72	[illegible]	[illegible]	[illegible]	14.40	11.47	810.35	817.92	821.87	533.68
3 Contracting, Construction (30)	[illegible]	[illegible]	[illegible]	[illegible]	17.85	18.95	1247.85	1257.26	1258.44	792.85
4 Electricals (12)	[illegible]	[illegible]	[illegible]	[illegible]	16.79	33.82	1858.31	1869.85	1890.40	1325.41
5 Electronics (38)	[illegible]	[illegible]	[illegible]	[illegible]	14.14	12.43	1600.11	1604.95	1655.19	1359.95
6 Mechanical Engineering (61)	[illegible]	[illegible]	[illegible]	[illegible]	13.27	6.44	402.97	405.65	409.47	270.17
8 Metals and Metal Forming (7)	[illegible]	[illegible]	[illegible]	[illegible]	15.21	5.01	347.01	350.38	354.91	184.33
9 Motors (16)	[illegible]	[illegible]	[illegible]	[illegible]	13.37	3.78	303.65	305.97	310.61	149.80
10 Other Industrial Materials (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (183)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household Products (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (28)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Publishing & Printing (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Packaging and Paper (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (39)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36 Tobaccos (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 OTHER GROUPS (86)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Office Equipment (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Shipping and Transport (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Miscellaneous (49)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (483)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (117)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (50)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (101)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (734)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Index No.	Day's Change	Day's High	Day's Low	July 15	July 14	July 11	July 10	July 9	Year ago
FT-SE 100 SHARE INDEX ♦	1597.3	+4.3	1597.5	1583.5	1593.0	1597.3	[illegible]	1626.7	1614.6	1267.3

FIXED INTEREST

PRICE INDICES	Weds July 16	Day's change %	Tues July 15	xd adj. today	xd adj. 1986 to date
British Government					
1 5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 5-15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Over 15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Irredeemables	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 All stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Index-Linked					
6 5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 Over 5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 All stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Debentures & Loans	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Preference	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AVERAGE GROSS REDEMPTION YIELDS		Weds July 16	Tues July 15	Year ago (approx.)
British Government				
1 Low Coupons	5 years	[illegible]	[illegible]	[illegible]
2	15 years	[illegible]	[illegible]	[illegible]
3	25 years	[illegible]	[illegible]	[illegible]
4 Medium Coupons	5 years	[illegible]	[illegible]	[illegible]
5	15 years	[illegible]	[illegible]	[illegible]
6	25 years	[illegible]	[illegible]	[illegible]
7 High Coupons	5 years	[illegible]	[illegible]	[illegible]
8	15 years	[illegible]	[illegible]	[illegible]
9	25 years	[illegible]	[illegible]	[illegible]
10 Irredeemables		[illegible]	[illegible]	[illegible]
Index-Linked				
11 Inflat'n rate 5%	5 yrs	[illegible]	[illegible]	[illegible]
12 Inflat'n rate 5%	Over 5 yrs	[illegible]	[illegible]	[illegible]
13 Inflat'n rate 10%	5 yrs	[illegible]	[illegible]	[illegible]
14 Inflat'n rate 10%	Over 5 yrs	[illegible]	[illegible]	[illegible]
15 Debs & Loans	5 years	[illegible]	[illegible]	[illegible]
16	15 years	[illegible]	[illegible]	[illegible]
17	25 years	[illegible]	[illegible]	[illegible]
18 Preference		[illegible]	[illegible]	[illegible]

§Opening index 1588.6; 10 am 1592.6; 11 am 1593.6; Noon 1593.3; 1 pm 1591.5; 2 pm 1591.2; 3 pm 1593.5; 3.30 pm 1595.6; 4 pm 1595.6

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (39)

AMERICANS (1) Pacific gas & Elec. BANKS (1) Equity & Gen. BUILDINGS (2) Douglas (R. M.), Vibroplant. CHEMICALS (1) Coalite. STORES (3) Ellis & Goldstein, Tip Top, Wickes. ELECTRICALS (2) ASEA AB A, Bennett & Fountain. ENGINEERING (4) Bronx Eng, Cook (Wm) (Sheffield), SKF AB, Triplex. HOTELS (1) Norscot. INDUSTRIALS (7) Assoc Brit Eng Spc Cv Red Pf, Burndene Invs, Harris (F.), Rexmore, The Times Veneer, Thermax, Westwood Dawes A. INSURANCE (2) Bradstock, Bryant (D.). MOTORS (1) Lookers. NEWSPAPERS (1) Home Counties News. PROPERTY (6) Hanover Inv, Mountleigh, Priest Marians, Regalian Prop, Utd Real Prop. TEXTILES (1) Beales (J.). TOBACCOS (1) Rothmans "B." TRUSTS (6) Gresham House, Lowland Invs, Scot American Inv, Antofagasta Spc Cum Prf, York & Equity, Do 8pc Cv '95-2000.

NEW LOWS (54)

AMERICANS (12) Alcoa, Amax, CSX, Cont Illinois Corp, Cullinet Software, Eaton Corp, Gillette, GTE, IBM, Ingersoll-Rand, Lone Star Inds, Rexnord, USX. CANADIANS (4) Can Pacific, Grangesa Expln, Gulf Can, Inco Eng. BANKS (1) Mercury Intl. CHEMICALS (2) [illegible]. ENGINEERING (1) Tex Hidge. FOODS (1) Glass Glover. INDUSTRIALS (1) Brammer. INSURANCE (1) Travelers. NEWSPAPERS (1) Euromoney Pubs. PAPER (2) Caprey Comms, Valin Pollen Intl. TRUSTS (5) Atlantic Assets, Independent Inv, Viking Res, Abingworth, Cambium Venture. OILS (4) Chevron, Gulfstream Res, Santos, Triton Europe. OVERSEAS TRADERS (1) GN Great Nordic. MINES (13) [illegible]

BASE LENDING RATES

[illegible]

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%. 1-month 6.03%. Top Tier—£25,000+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6½% gross. † Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 51,491

A=Ask B=Bid C=Call P=Put

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
July 7	July 18	Oct 9	Oct 20
July 21	Aug 1	Oct 23	Nov 3
Aug 4	Aug 15	Nov 6	Nov 17

For rate indications see end of Unit Trust Service

Money was given for the call of **Hyman, Hawtin, Thomas Marshall (Loxley), Moorgate** Mercantile, Prestwich, Wheway, Burgess Products, Assoc Investments, Nolton, Associated British Engineering, C. H. Bailey, Peachland, Polly Peck, Raine Industries, Hanson Trust, Amstrad, Britoil, Armstrong Equipment, S & U Stores, and Rockware. A put was done in G. Ruddle, while double options were transacted in Amstrad, Next and Camford Engineering.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change	Stock	Closing price	Day's change
Bulmer (H. P.)	158	−5	Lasmo	101	+11
Eurotherm Intl.	265	−15	Phoenix Props.	78	+2
Glaxo	972	+22	Raine Inds.	82	+4
Harris Queensway	252	+16	RTZ	571	+9
IMI	174	+1	Thermax	55	+3
Jaguar	538	—	Utd. Scientific	155	+10

TUESDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of changes	Tues. close	Day's change	Stock	No. of changes	Tues. close	Day's change
Beazer	16	533	+35	Jaguar	13	[illegible]	[illegible]
Std. Chartered	16	725	+20	RTZ	13	[illegible]	[illegible]
Stewart Wright	16	448	+20	BP	12	[illegible]	[illegible]
Prudential	14	808	+5	Pearson	12	[illegible]	[illegible]
Sedgwick	14	425	−1	Utd. Newspprs.	12	[illegible]	[illegible]
Glaxo	13	950	−15				

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	85	8	9
Corpns, Dom. and Foreign Bonds	14	10	47
Industrials	224	318	960
Financial and Props.	80	136	359
Oils	22	16	79
Plantations	1	1	15
Mines	26	28	75
Others	36	135	87
Totals	488	631	1,645

LONDON TRADED OPTIONS

Option		Calls July	Calls Oct.	Calls Jan.	Puts July	Puts Oct.	Puts Jan.
Allied Lyons (*326)	300	30	42	52	1	[illegible]	[illegible]
	330	6	22	35	9	[illegible]	[illegible]
	360	1	10	18	35	[illegible]	[illegible]
B.P. (*571)	500	70	77	92	1	[illegible]	[illegible]
	550	21	45	55	2	[illegible]	[illegible]
	600	1½	17	30	38	[illegible]	[illegible]
Cons. Gold (*432)	420	18	44	57	4	[illegible]	[illegible]
	460	3	27	38	30	[illegible]	[illegible]
	500	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

July 16. Total contracts 11,857. Calls 6,971. Puts 4,886
*Underlying security price.

WORLD STOCK MARKETS

CANADA

TORONTO

Prices at 2.30pm July 16

MONTREAL

Closing prices July 15

Indices

NEW YORK

DOW JONES	July 15	July 14	July 11	July 10	July 9	1986 High	1986 Low	Since Cmp High	Since Cmp Low
◆ Industr'ls	1768.70	1793.45	1821.43	1831.83	1826.07	1909.03 (2/7)	1502.29 (22/1)	1909.03 (2/7/86)	41.22 (2/7/32)
H'me Bnds.	91.17	91.06	91.05	91.06	91.24	91.94 (21/4)	85.73 (14/1)	—	—
Transport	721.75	740.00	751.38	753.38	750.00	830.84 (31/5)	686.97 (9/1)	859.84 (31/5/86)	12.32 (8/7/32)
Utilities	200.81	204.16	204.05	200.64	199.00	204.16 (14/7)	169.47 (22/1)	204.16 (14/7/86)	10.5 (8/4/34)

◆Day's High 1805.64 (1816.65) Low 1760.12 (1785.29)

STANDARD AND POOR'S	July 15	July 14	July 11	July 10	July 9	1986 High	1986 Low	Since Cmp High	Since Cmp Low
Composite ‡	233.66	238.11	242.22	243.01	242.82	252.70 (2/7)	203.49 (22/1)	252.70 (2/7/86)	4.40 (1/6/32)
Industrials	258.19	263.41	268.78	270.29	270.26	282.24 (2/7)	224.88 (22/1)	282.24 (2/7/86)	3.62 (21/6/32)
Financials	27.92	28.44	28.62	28.89	28.83	31.18 (14/3)	25.18 (22/1)	31.18 (14/3/86)	8.64 (1/10/7)
N.Y.S.E. COMPOSITE	134.91	137.27	139.51	139.68	139.56	145.15 (2/7)	117.75 (22/1)	145.15 (2/7/86)	4.46 (25/4/4)
AMEX. MKT VALUE	265.36	269.05	273.65	273.13	273.71	285.19 (25/6)	240.30 (4/2)	285.19 (25/6/86)	29.13 (9/12/7)
NASDAQ OTC COMP.	378.70	384.80	391.55	392.03	393.39	411.16 (3/7)	323.01 (9/1)	411.16 (3/7/86)	54.87 (5/10/7)

DIVIDEND YIELDS	July 11	June 27	June 20	June 13	year ago (approx)
Dow Industrial	3.72	3.69	3.66	(u)	4.58
	July 2	June 25	June 18	June 11	
S and P Industrial	2.88	2.93	2.95	2.97	3.70
S and P Ind P/E ratio	18.61	18.32	18.07	17.66	11.96

TRADING ACTIVITY

Volume† (Millions)	July 15	July 14	July 11
New York	188.98	183.17	184.47
Amex	11.37	8.45	8.49
O.T.C.	(u)	108.58	—

New York	July 15	July 14	July 11
Issues Traded	1,986	1,963	1,967
Rises	420	406	858
Falls	1,264	1,252	705
Unchanged	302	305	404
New Highs	(u)	49	50
New Lows	(u)	55	22

CANADA

TORONTO	July 15	July 14	July 11	July 10	July 9	1986 High	1986 Low
Portfolio	1490.69	1506.61	1515.64	1513.89	1518.61	1625.55 (18/4)	1398.80 (22/1)

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
IBM	3,611,100	135¾	−3½	Sperry	1,873,000	75⅛	+⅛
Safeway	2,842,900	52⅝	−2	Sanders Assoc.	1,811,000	59⅝	—
Am. Tel. & Tel.	2,369,100	24¼	−⅛	USX	1,686,500	18⅝	−⅜
Panhandle Pipe	2,137,900	44½	−2⅞	Hewlt-Packard	1,577,200	38	−2⅞
Coca-Cola	2,112,300	40⅞	+⅛	Philip Morris	1,563,600	71⅝	−⅞

LONDON

Chief price changes (in pence unless otherwise indicated)

RISES

Treas. 11¾pc '03-07	$118½	+1
Aberfoyle	45	+8
Bersfrd. (S. & W.)	236	+5
Brengreen	40	+2½
BP	571	+6
Coalite	305	+6
Equity & Gen	28	+4½
Ferguson (J.)	115	+10
Glaxo	972	+22
Harris Queens	252	+16
Higgs & Hill	595	+15
Howden	104	+7
Lanca	61	+7
Lasmo	101	+11
Magnet & South	184	+10
Molins	183	+11
Noble & Lund	128	+8
Raine Inds.	82	+4
Regal Props.	635	+50
Richsons West	41	+3
RTZ	571	+9
Roths Intl. B.	167	+8
Shield	155	+37
Stewt Wright	463	+15
The Times Veneer	60	+7
Utd. Real Prop.	850	+15
Utd. Scient	155	+10

FALLS

Bestwood	555	−40
Eurotherm Intl	265	−15
London Intl.	190	−10

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued from Page 35

Prices at 3pm, July 16

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	AAR s	.44	2.0	18	595	[illegible]	22⅛	22⅜	[illegible]
[illegible]	[illegible]	ADT	.92	4.1		365	[illegible]	[illegible]	22⅝	
33	[illegible]	AFG s			28	809	31½	30⅞	31⅛	−⅛
[illegible]	[illegible]	AGS			13	109	18¼	17⅞	17⅞	−½
[illegible]	[illegible]	AMR			10	10456	48½	47¼	47½	−½
[illegible]	[illegible]	ANR pf2.67		10		2	25⅝	25⅝	25⅝	+⅛
[illegible]	[illegible]	ANR pf2.12		8.8		281	u24	24	24	[illegible]
[illegible]	8	APL			6	52	11¼	11¼	11¼	[illegible]
[illegible]	[illegible]	ARX	.71t	5.9	11	60	12	11⅞	12	+⅛
51	[illegible]	ASA	2a	6.6		186	30⅝	[illegible]	30⅜	[illegible]
[illegible]	[illegible]	AVX			27	502	11⅞	11⅝	[illegible]	[illegible]
[illegible]	[illegible]	AZP	2.72	8.7	8	1462	31¼	31	31⅛	[illegible]
[illegible]	[illegible]	[illegible]		1.7	22	3983	48⅞	47⅝	48⅜	[illegible]
[illegible]	[illegible]	[illegible]		2.0	18	76	27⅜	27	27⅜	[illegible]
[illegible]	[illegible]	[illegible]		3.7		36	11	10⅝	10⅞	[illegible]
[illegible]	[illegible]	[illegible]		4.1	19	9	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]		9.5		70	20	19⅞	20	
[illegible]	[illegible]	[illegible]		1.3	14	39	30¾	30½	30¾	[illegible]
[illegible]	11¼	AdvSys.80		5.0	15	55	16¼	16⅛	16¼	+⅛
[illegible]	14⅛	AMD				8237	15⅜	d14¾	14⅞	−¼
[illegible]	6¾	Adobe n				77	7	6¾	7	[illegible]
[illegible]	14⅜	Adob pf1.84		12		50	14¾	14¾	14¾	
[illegible]	15½	Adob pf2.40		13		95	18⅜	18¼	18⅜	
[illegible]	7⅜	Advest .12a		.8	13	194	16	15½	15¾	[illegible]
60¼	42¼	AetnLf 2.64		4.5	11	1323	59½	58½	58⅝	−⅛
57½	51½	AetL pf4.28e		8.2		1	52½	52½	52½	
[illegible]	[illegible]	Ahmns .46		1.7	9	6626	27⅞	27	27¾	+⅜
[illegible]	[illegible]	Aileen			98	11	5	4⅞	4⅞	
41⅞	25¾	AirPrd s .80		2.6	12	6407	31¼	30½	31	[illegible]
27¼	16	AirbFrt .60		3.4	15	160	17⅝	16⅝	17⅝	[illegible]
[illegible]										

Continued on Page 35

NYSE COMPOSITE PRICES

Continued from Page 34

AMEX COMPOSITE PRICES

Prices at 3pm, July 16

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

Continued on Page 33

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Credible rally initiated

A CREDIBLE RALLY was initiated by bargain hunters on Wall Street yesterday as the corporate reporting season produced another batch of mixed results, *writes Paul Hannon in New York.*

Some of the initial enthusiasm was blunted by Federal Reserve data on the operating rate of US industry, which slipped to 78.3 per cent of capacity in June compared with 78.9 per cent in May and 79.4 per cent in April. The Fed attributed part of the fall to strikes in the aluminium, timber and telecommunications industries.

The bond market consolidated some of the early gains triggered by the industrial figures.

By 2pm, the Dow Jones industrial average was 13.78 up at 1,782.48.

Market Bellwether IBM enjoyed only brief stability before dropping a further $1 to $134⅞ in active volume.

The corporate reporting season offered much to digest in the banks and high-technology sectors, while consumer stocks, particularly stores, drew steady support.

BankAmerica's second-quarter loss of $640m was the latest feature in a mixed batch of bank results. Heavy trading trimmed $¼ off its share price to $14¼. A firmer second-quarter result for US bancorp boosted it by $¾ to $37⅞, while Bankers Trust New York added $½ to $45 on the strength of its higher figures.

Among computer issues, higher second-quarter results boosted Burroughs $1½ to $67 and a strong earnings turnround for Apple, traded on the over-the-counter market, produced a $¾ advance to $35 in heavy turnover.

Honeywell regained $¾ to $69⅞ on bargain hunting and further consideration of recent results, while Sperry held unchanged at $75⅞ after Tuesday's reports that the group was considering a mass production pact with Hitachi.

Motorola, the semiconductor and communications group, was steady at $34¾ in active trading while Hewlett-Packard, also active, added $⅝ to $36⅝.

Chesebrough-Pond's, the diversified health products to apparel group, announced a surge in second-quarter profits and quickly added $½ to $49⅞. A strong earnings report for Avon Products, the cosmetics manufacturer, had little impact, however, as it slipped $⅜ to $33.

Litton Industries' admission of fraud on government defence contracts resulted in a $⅝ decline to $75⅞ while Tuesday's reported plunge in second-quarter profits for Northrop had little impact as the aerospace and defence group firmed $½ to $45⅛.

A gain of $⅝ to $38⅛ was managed for Hospital Corp of America, despite a fall in second-quarter figures.

AMR Corp, the holding company for American Airlines, added $½ to $48⅞ despite revealing poor second-quarter results. UAL, which expected to see a pick-up in demand this summer for its airline, hotel and car rental interests, added $½ to $49½, while TWA slipped $⅛ to $14¾. Pan Am also edged lower with its $⅛ dip to $6¼. People Express, the troubled discount carrier, picked up $½ to $5⅞ in heavy trading.

Trading was suspended for most of the morning in Associated Dry Goods and May Department Stores before their merger announcement. Associated resumed trading with a $2½ fall to $59½ while May was $3 lower at $71⅞.

Among other stores, Federated Department Stores picked up $1 to $80 while Wal-Mart, the regional discount chain, jumped $2⅜ to $47 in heavy trading.

Chrysler was most active among the car makers and showed an early $⅞ gain to $34⅞, while Ford added $⅞ to $53⅝. PepsiCo rose $⅜ in heavy early trading to $30⅞, while Coca-Cola jumped $1¼ to $41⅞, also in large volume.

Other features of the session included very active trading in New York State Gas & Electricity, which held unchanged at $35½.

On the American Stock Exchange, Wang slipped $⅛ to $12⅞ in early active trading, while Wickes was unchanged at $3. The bond market was mixed with the price of the key treasury long bond, the 7¼ due in 2016, down ³⁄₃₂ at 101¹¹⁄₃₂ to yield 7.11 per cent.

The 10-year issue, 7⅜ due in 1996, showed an early rise of ⅜ at 101 ²⁰⁄₃₂ taking its yield of 7.10 per cent below that of the long bond. Fed funds opened at 6⅞, at which level the Federal Reserve announced later in the morning overnight system repurchase agreements. The funds rate later dipped to 6⅞.

Rates on treasury bills were little changed with the three-month issue up one basis point to 5.78 per cent and the six-month issue steady at its overnight level of 5.81 per cent. The one-year Treasury bill was also unchanged at 5.83 per cent.

LONDON

CAUTION SET the tone again in London yesterday and leading shares did little more than mark time. The FT Ordinary share index closed with a gain of 3.7 at 1,306.3, while the more broadly-based FT-SE 100 share index ended 4.3 higher at 1,597.3. Improvement in Sterling against the Dollar helped investor confidence in gilts but failed to inspire equities.

Blue-chip industrials, overshadowed by Wall Street's two-day slide, began easier but in the absence of buyers began to edge up later. A good recovery on Wall Street in the early dealings gave a boost to sentiment in domestic equities.

Guinness, unsettled initially by the board dispute, eased to 325p before ending at 330p.

Gilts were also encouraged by the overnight rise in US bonds and continued the previous day's rally.

Chief price changes, Page 33; Details, Page 32; Share information service, Pages 30–31.

AUSTRALIA

BARGAIN-HUNTING and the strength of BHP were largely responsible for prices in Sydney closing firmer. The All Ordinaries index ended 4.8 higher at 1,127.0.

BHP ended 20 cents higher at A$8.20 on turnover of 920,000 shares, which included a special sale of 235,000 shares at A$8.28 by a Sydney-based broker.

Brokers said the impact on industrials of the fall in the Dow Jones and bearish signals from London were offset by a firmer dollar and a shortage of scrip among blue chip leaders.

SOUTH AFRICA

UNCERTAINTY among investors led gold shares to close mixed in Johannesburg despite the firmer gold price, as the financial rand declined to a new low against the dollar.

Vaal Reefs closed closed R2 higher at R243 on late demand, but Driefontein held steady at R55.

Platinums were also mixed, with Impala up 25 cents at R40.25 and Rustenburg 15 cents softer at R41.10.

Industrials closed firmer. Chemicals group AE&CI added 25 cents to R11.75 and SA Breweries rose 4 cents to R12.

SINGAPORE

PROFIT-TAKING alternated with sporadic buying in quiet Singapore activity that saw the market close on a mixed note with the Straits Times industrial index 1.54 higher at 734.18.

Brokers reported that the absence of fresh factors was prompting some nervous investors to sell but most operators stayed on the sidelines amid continued uncertainties over the market's midterm direction. The imminent Malaysian general elections also added to investor nervousness.

SIA lead the actives and gained 5 cents to S$7.30.

CANADA

A MODEST RECOVERY on Wall Street failed to enthuse Toronto, where prices remained mixed in active trading.

Industrial and metal and mine issues showed some strength while oils were little changed.

Active industrials followed generally mixed trading. Canadian Pacific firmed C$⅛ to trade at C$15⅞.

Bank shares showed little direction as analysts forecast a cut in the central bank rate at today's weekly setting.

Montreal was higher.

EUROPE

Disquiet on dollar continues

A FURTHER FALL in the dollar caused continued disquiet in **Frankfurt**, where the Commerzbank index plunged to its lowest level this year.

Export-oriented stocks suffered again as foreign investors sold their holdings and buying by some domestic institutions was insufficient to reverse the trend.

The Commerzbank index, calculated at midsession, dropped 30.8 to 1,814.7 after falling 30.3 in the previous session.

In a bulletin released yesterday, the Deutsche Bank said that the West German economy was well equipped to cope with a lower dollar but that a further fall could bring increased risk for the economy.

Cars and banks continued to be hammered. VW fell DM 17.50 to DM 448, BMW shed DM 12 to DM 558, Porsche DM 5 to DM 970 and Daimler DM 37.50 to DM 1,269. Tyre-maker Conti-Gummi bucked the trend, however, rising DM 7 to DM 286.

Dresdner led banks lower, dropping DM 14.50 to DM 381, while Deutsche gave up DM 11.50 to DM 738 and at DM 283 Commerzbank lost DM 8.70.

In chemical issues, Bayer lost DM 11.50 to DM 267, Hoechst was DM 10 lower at DM 246.50, while pharmaceutical group Schering, which sold its US Nepera unit as part of a divestment in its fine chemicals division, ended DM 20.50 down at DM 528.

Speculation that the dollar might drop to below DM 2 this year sparked activity in the bond market, pushing prices up as much as 65 basis points. Foreigners were particularly active.

The Bundesbank sold a hefty DM 104.4m worth of paper after selling DM 67.5m in the previous session.

Paris gathered steam and many issues recovered the ground lost in Tuesday's trading. Investors cited the fact that recent political tension seems to have been defused.

Among gainers, Moët-Hennessy regained Tuesday's FFr 40 fall to end FFr 95 higher at FFr 2,220, Alcatel put on FFr 80 to FFr 2,300 and BSN added FFr 85 to FFr 3,845.

Amsterdam trading was featureless and prices slipped further.

Fokker, apparently unaffected by a newspaper article on the company's US expansion plans, slipped Fl 2.30 to Fl 91.30.

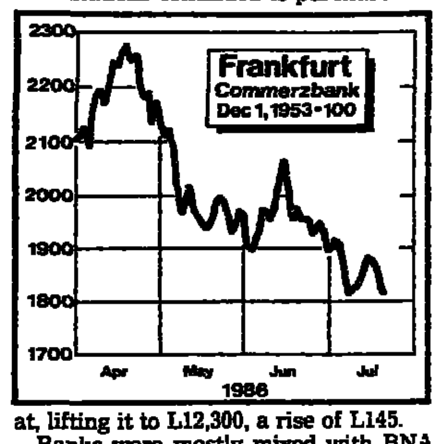
Royal Dutch softened 20 cents to Fl 188.70 as investors remained optimistic about the company's ability to ride out the slump in oil prices and among other internationals, Akzo dropped Fl 1.50 to Fl 161.80.

Banks were assisted by the round of Dutch interest rate cuts over the past week and ended unchanged to higher. ABN was steady at Fl 604 after trading down Fl 2 during the day, while Amro put on 50 cents to Fl 109.

Bond prices were mostly unchanged.

Milan was flat to lower, dampened by the end of July position squaring.

Institutions continued to purchase Fiat, lifting it to L12,300, a rise of L145.



Banks were mostly mixed with BNA up L30 at L5,140 and Mediobanca L1,050 lower at L214,950.

Zurich was sharply lower on profit-taking and banks sagged under continued selling pressure. **Brussels** turned downwards on further Wall Street falls and the closure of the two-week cycle of the forward market.

Both **Stockholm** and **Madrid** were also lower.

TOKYO

Combination of factors a dampener

STRENGTHENED margin trading regulations, the yen's advance to a new high and Wall Street's steep decline all combined to dampen the Tokyo market yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

But both institutional and individual investors remained relatively calm and there was no massive panic selling, analysts said.

The Nikkei average fell 181.90 – the first drop in four sessions – to 17,700.90 on volume which shrank from Tuesday's 1.165bn shares to 733.01m shares. Losses outpaced gains 637 to 267, with 89 issues unchanged.

Leading brokerage houses said a correction in prices was natural after the rapid advance in the previous sessions.

Trading in steels and other low-priced large-capital stocks dropped as institutional investors avoided them. Nippon Steel remained at the top of the active list, but its volume nose-dived from Tuesday's 157.78m shares to only 50.95m or one-third, with the price decreasing Y5 to Y193.

Trading in Kawasaki Steel, the third busiest issue, fell from 143.36m shares to a mere 28.57m. It lost Y5 to Y200.

Nippon Kokan closed Y4 lower at Y219 and Ishikawajima-Harima Heavy Industries lost Y15 to Y336.

Blue chips lost ground on a wide front with investors discouraged by the yen's rise and the deteriorated business performance of IBM. NEC went down Y40 to Y1,330, Hitachi Y9 to Y803 and Toshiba Y18 to Y445. Selling was in small lots as shown by Hitachi's low volume of 2.46m shares.

Investors shifted their attention to high-priced stocks for capital gains. Computer Services soared Y280 to Y9,750, but trading was small at only 298,000 shares. Secom advanced Y180 to Y9,440, while KDD and Toho spurted Y900 to Y32,000 and Y800 to Y24,000, respectively.

Among speculator favourites, Keisei Electric Railway continued to gain, adding Y34 to Y630 on the fourth largest trading of 28.28m shares, reflecting its off-the-book assets and redevelopment projects along its track.

Sanraku drew popularity in the wake of reports that Yale University in the US had confirmed that an antibiotic developed by the company is effective in normalising cancerous cells. The distiller leaped Y64 to Y900. Kuraray and Kyowa Hakko also jumped Y50 each to Y1,980 and Y1,830.

Bond prices closed lower after opening firm. The yield on the benchmark 6.2 per cent government bond maturing in July 1995 dropped to 4.715 per cent from Tuesday's 4.740 per cent, but then rose to 4.755 per cent under selling pressure. With financial institutions apparently poised to unload bonds heavily as soon as the yield slips below 4.700 per cent, investors could not continue buying actively, analysts observed.

Only the dealing sections of banks and securities houses participated in the market with institutional investors sitting on the sidelines.

HONG KONG

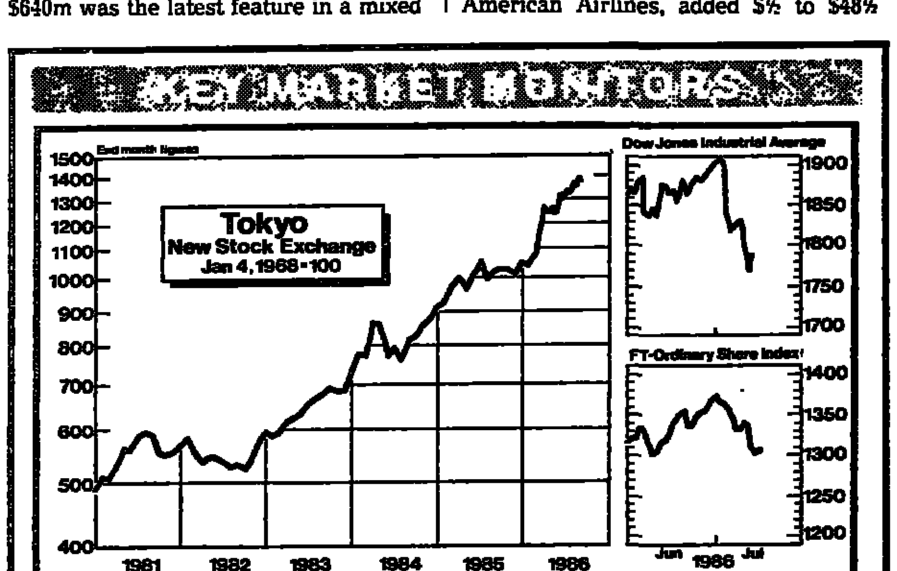
THE ABSENCE of fresh factors kept sentiment mixed in Hong Kong and prices ended slightly easier. The Hang Seng index fell 0.75 to 1,763.38.

Brokers attributed the mixed sentiment to the fact that there was no follow through buying after Tuesday's sharp rebound and that selling pressure had subsided because a Middle East institutional investor, who had recently been selling heavily, was no longer in the market.

Utilities were mostly higher with China Gas rising 10 cents to HK$16.50 amid renewed takeover speculation.

China Light was 20 cents higher at HK$15.40, HK Telephone 10 at HK$11.9 and HK Electric down 5 cents at HK$8.85. HK Land lost 5 cents to HK$6.00.

KEY MARKET MONITORS



STOCK MARKET INDICES

	July 16	Previous	Year ago
NEW YORK			
DJ Industrials	1,782.48*	1,768.70	1,347.89
DJ Transport	727.38*	721.75	700.14
DJ Utilities	201.14*	200.81	168.24
S&P Composite	235.89*	233.66	194.72
LONDON			
FT Ord	1,306.3	1,302.6	933.6
FT-SE 100	1,597.3	1,593.0	1,239.5
FT-A All-share	791.95	790.83	600.90
FT-A 500	867.89	866.26	654.07
FT Gold mines	188.5	190 3	410.8
FT-A Long gilt	9.50	9.57	10.24
TOKYO			
Nikkei	17,700 90	17,882.80	12,698.3
Tokyo SE	1,376.30	1,390.58	1,031.8
AUSTRALIA			
All Ord.	1,127.0	1,122.2	902.5
Metals & Mins.	494.5	493.2	503.5
AUSTRIA			
Credit Aktien	238.11	239.10	95.61
BELGIUM			
Belgian SE	3,658.04	3,697.65	2,296.46
CANADA			
Toronto			
Metals & Minls	1,975.2	1,967.3	1,923
Composite	2,985.9	2,977.3	2,775.7
Montreal			
Portfolio	1,497.51	1,490.69	136.66
DENMARK			
SE	203 44	204.49	210.77
FRANCE			
CAC Gen	368.30	364.80	218.9
Ind. Tendance	141.00	140.10	81.1
WEST GERMANY			
FAZ-Aktien	594.32	611.29	469 79
Commerzbank	1,789.70	1,845.50	1,379.0
HONG KONG			
Hang Seng	1,763 38	1,764.13	1,632.99
ITALY			
Banca Comm.	654.37	656.60	353.52
NETHERLANDS			
ANP-CBS Gen	288 50	290.30	215.1
ANP-CBS Ind	288.80	290.60	181.9
NORWAY			
Oslo SE	350 12	360.69	334.26
SINGAPORE			
Straits Times	734.18	792.64	722.60
SOUTH AFRICA			
JSE Golds	–	1,270.3	950.1
JSE Industrials	–	1,194.7	1,036.8
SPAIN			
Madrid SE	171.18	171.69	81.57
SWEDEN			
J & P	2,467.27	2,485.93	1,312.53
SWITZERLAND			
Swiss Bank Ind	527.60	540.80	451.7
WORLD	July 15	Prev	Year ago
MS Capital Int'l	319.9	321.6	221 5

COMMODITIES

(London)	July 16	Prev
Silver (spot fixing)	336.10p	336.55p
Copper (cash)	£882.50	£884.50
Coffee (September)	£1,891 50	£1,909.00
Oil (Brent blend)	$9.65	$9.55

GOLD (per ounce)

	July 16	Prev
London	$347.25	$346.75
Zürich	$347.70	$346 20
Paris (fixing)	$349.66	$347.49
Luxembourg	$348.70	$345.95
New York (Aug)	$348.90	$349.10

* Indicates latest pre-close figure

CURRENCIES

(London)	US DOLLAR July 16	US DOLLAR Previous	STERLING July 16	STERLING Previous
$	–	–	1.5135	1.4815
DM	2.1495	2.1660	3.2525	3.2275
Yen	158.35	159.45	239.75	237.50
FFr	6.9425	6.9925	10.5075	10.385
SFr	1.7420	1.7595	2.6375	2.6350
Guilder	2.4205	2.4450	3.6625	3.6400
Lira	1,475	1,482	2,232.5	2,216
BFr	44.40	44.60	67.2	66.5
C$	1.3760	1.3745	2.0830	2.0418

INTEREST RATES

	July 16	Prev
Euro-currencies (3-month offered rate)		
£	10	10¹⁄₁₆
SFr	5⅛	5³⁄₁₆
DM	4⅝	4⅝
FFr	7⅛	7¼
FT London Interbank fixing (offered rate)		
3-month US$	6⁹⁄₁₆	6⅝
6-month US$	6⁹⁄₁₆	6⅝
US Fed Funds	6⅞*	6⁹⁄₁₆
US 3-month CDs	6.20*	6.475
US 3-month T-bills	5.76*	5.93

US BONDS

Treasury

		July 16 Price	July 16 Yield	Prev Price	Prev Yield
7⅞	1988	100²⁹⁄₃₂	6.565	100²⁹⁄₃₂	7.548
7¼	1993	101¹⁄₃₂	7.042	100²⁷⁄₃₂	7.094
7⅜	1996	101²⁰⁄₃₂	7.122	101¹⁸⁄₃₂	7.17
7¼	2016	101¹¹⁄₃₂	7.132	101¹¹⁄₃₂	7.139

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index July 16*	Day's change	Yield	Day's change
1–30	155.01	+0.31	7.15	–0.03
1–10	146.81	+0.17	6.95	–0.02
1– 3	137.54	+0.05	6.66	–0.00
3– 5	148.94	+0.18	7.11	–0.02
15–30	184.48	+0.78	7.80	–0.04

Source: Merrill Lynch

Corporate	July 16 Price	July 16 Yield	Prev Price	Prev Yield
AT & T				
3⅞ July 1990	92¼	6.12	92¼	6.12
SCBT South Central				
10⅞ Jan 1993	107.10	9.18	107.00	9.20
Phibro-Sal				
8 April 1996	100	8.00	99.81	8.05
TRW				
8⅞ March 1996	104.20	8.08	104.62	8.10
Arco				
9⅞ March 2016	105.30	9.33	105.12	9.36
General Motors				
8⅛ April 2016	93.20	8.83	92.90	8.80
Citicorp				
9⅞ March 2016	98.35	9.54	98.35	9.54

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT)				
8% 32nds of 100%				
Sept	101-08	101-12	100-13	101-01
US Treasury Bills (IMM)				
$1m points of 100%				
Sept	94 53	94.55	94.50	94.54
Certificates of Deposit (IMM)				
$1m points of 100%				
Sept	n/a	n/a	n/a	94.01
LONDON				
Three-month Eurodollar				
$1m points of 100%				
Sept	93.62	93.65	93.61	93.62
20-year Notional Gilt				
£50,000 32nds of 100%				
Sept	120–23	120–31	120–07	119–25

* Latest available figures